



### EUROPEAN NEWS



**UNITED** in a quest for peace, Pope John Paul II and leaders of the world's 11 major non-Christian religions — from African animists to Japanese Shintoists — began nine hours of fasting and prayer at Assisi, Italy, yesterday, AP reports. Leaders from around the world have issued statements praising the effort and several warring parties and insurgent groups have accepted the Pope's appeal to observe a 24-hour truce. In one incident, a Franciscan friar (above) was led away still holding two doves he had tried to present to the Pope outside the basilica.

### Italian deputies unite in row over pay rise

BY JOHN WYLES IN ROME

ANGRY, HURT, feeling themselves misunderstood, a majority of the 630 members of the Lower House of the Italian parliament have united across party lines in a bitter row with the Italian press and public opinion. "We should put a stop to these journalists. They write what they like, but the time will come when we shall fight them," is only slightly more intransigent than many of the threats parliamentarians have hurled at the Italian press over the last few days. Only a minority, mostly on the Independent left, have seemed at all sensitive to a genuine public outcry about their decision to pay themselves an extra £500,000 (£190 a month) and to allow all 630 to hire a secretary of their choice — at a net salary of £2,000 a month. To many Italians, this seems an outrageous example of nestling by a privileged group whose total salary and benefits are comfortably in excess of

£4,000 a month. The man in the street is not satisfied by defensive claims that Italian parliamentarians are not over-paid by Continental European standards. What has most stung the politicians is the general conclusion that the pay rise is meant to offset a so-called health tax against which the self-employed are up in arms. One searches in vain, however, for clear denial that there is no such link. In receipt of hundreds of phone calls from outraged citizens, the press is quite deliberately drawing blood. Some columnists have targeted Mr Leonilde Iotti, the veteran Communist president of the Lower House, whose steering committee quietly waved through the pay rise and the secretaries. More than 100 of her colleagues have quickly rallied round with a letter of support praising her courage in the face of the enmity and bitter hatred of many journalists for the political class.

### European electronics market 'to grow 7.5%'

By David Thomas

THE WESTERN European electronics market will grow by 7.5 per cent next year, but growth after that will be slower mainly because of a slow down in computer sales.

These are some of the main results of the latest survey of the European electronics market carried out each year by Benn Electronics Publications. The survey expects the total market for electronic equipment and components to reach \$113bn (£78bn) next year compared with \$105bn this year and \$97bn in 1985, all at constant 1985 prices.

This will cut overall growth in the European electronics market to about 6 per cent a year after 1987, reflecting a slow down which has already happened in the US.

Sales of consumer electronic equipment are expected to grow by 2.9 per cent this year compared with a drop of more than 2.5 per cent last year. This was due to higher consumer spending, particularly in West Germany, and a stabilisation of prices for goods such as video recorders and colour TVs. The survey forecasts a 1 per cent a year growth in consumer electronics to the end of the decade. Outputs of consumer electronic equipment are expected to grow by 4.4 per cent a year between 1985 and 1987, partly because of the influx of Japanese companies. The survey says that the Western European trade gap in electronics fell to \$10.7bn last year, down from the record \$11.1bn in 1984, and expects that the trade gap should continue to close. The Yearbook of West European Electronics, 1987, Benn Electronics Publications, PO Box 28, Luton, LU20BD, price \$50.

### A parochial squabble has highlighted deep political tensions, Tim Dickson reports

## Belgian language row may be far from over

"THERE'S Jose Happart," someone said after a crucial Parliamentary session pointing at an individual who on closer inspection turned out to be the much-publicised Belgian mayor's twin brother, Jean-Marie. "You'd have thought that one Happart was quite enough," she added, irreverently, realising her mistake.

Many in Brussels might echo that sentiment at the moment, for despite the uneasy party truce called last week, most observers sense that the bitter and politically-damaging language dispute linked to the Happart name is far from over.

Mr Wilfried Martens, the Belgian Prime Minister, and Mr Joseph Michel, his Interior Minister, successfully appealed for a "period of reflection" in the Chamber of Representatives 10 days ago and have bought themselves at least a few days respite, and possibly even a few months. Soon or later, however, the implications of what is so the surface a highly parochial squabble will come back to threaten the fragile harmony of the country's Flemish and French-speaking Christian Democrat ruling coalition. The enormous volume of

domestic media coverage of the dispute appears to be out of all proportion to the faintly ridiculous problem of a Franco-phone mayor who refuses to brush up his Flemish. But despite the self-conscious embarrassment of the Belgian press and the ridicule of most of the international media, the issue conceals important and deeply felt political and economic tensions between the region of Flanders in the north and Wallonia to the south.

Mr Happart is mayor of Les Fourons in the Flemish province of Limburg. He was sacked from his post after a ruling of the Council of State on the grounds that he has consistently refused to learn the official local language, Flemish. In common with many other local residents, two-thirds of whom apparently prefer to speak French, he has long believed that the area should never have been part of Limburg and should be returned to the French-speaking province of Liege immediately. Boycotting the language, which he was required under the constitution to speak in his official capacity, was his way of making this point.

In an effort to placate the French-speaking population the Council of State judgment was quickly referred to the Cour de Cassation (Supreme Court). But the most important twist in the story came when the Aldermen of Les Fourons resigned their posts and elected Mr Happart as First Alderman in the subsequent poll—a move deliberately calculated to reinstate



Mr Jose Happart watches the debate in the Belgian parliament arising from his refusal to learn Flemish.

him as de facto Mayor in the absence of a new appointee. The Flemish parties vigorously argue that someone who has been sacked as Mayor cannot be acting Mayor. The Francophones respond that Mr Happart has been democratically elected and that the Cour de Cassation could still

overturn the original anti-Happart decision. The events of last week have not solved the fundamental disagreement over who should be mayor of Les Fourons.

Mr Michel assured Parliament that there would be no political interference in the matter, that any complaints would be examined and dealt with "normally" and that the Governor of Limburg province "must do his duty as laid down by the law." Once the Governor has been formally notified of the alderman elections, he has 40 days in which to respond to a Flemish complaint and either suspend or annul the appointment. It, as is widely anticipated, he chooses to dismiss Mr Happart, he has several days in which to notify him of the decision. Mr Happart then has 30 days in which to lodge an appeal with Mr Michel, and the ball will then be back in the Government's court. By most reckonings the Government therefore has perhaps a couple of months in which to find a solution. At the moment, however, nobody in Brussels seems to be putting forward any new ideas.

### SPD sparks advertising storm

BY DAVID MARSH IN BONN

WEST GERMANY'S Opposition Social Democratic Party (SPD) has sparked off controversy by alleging that big German industry and banking organisations are giving the Christian Democrat (CDU)-led government unfair support in advertising campaigns leading up to the January elections. The SPD claims that West German big business has committed an overall total of DM 100m (£45m) in advertising indirectly backing up the Government.

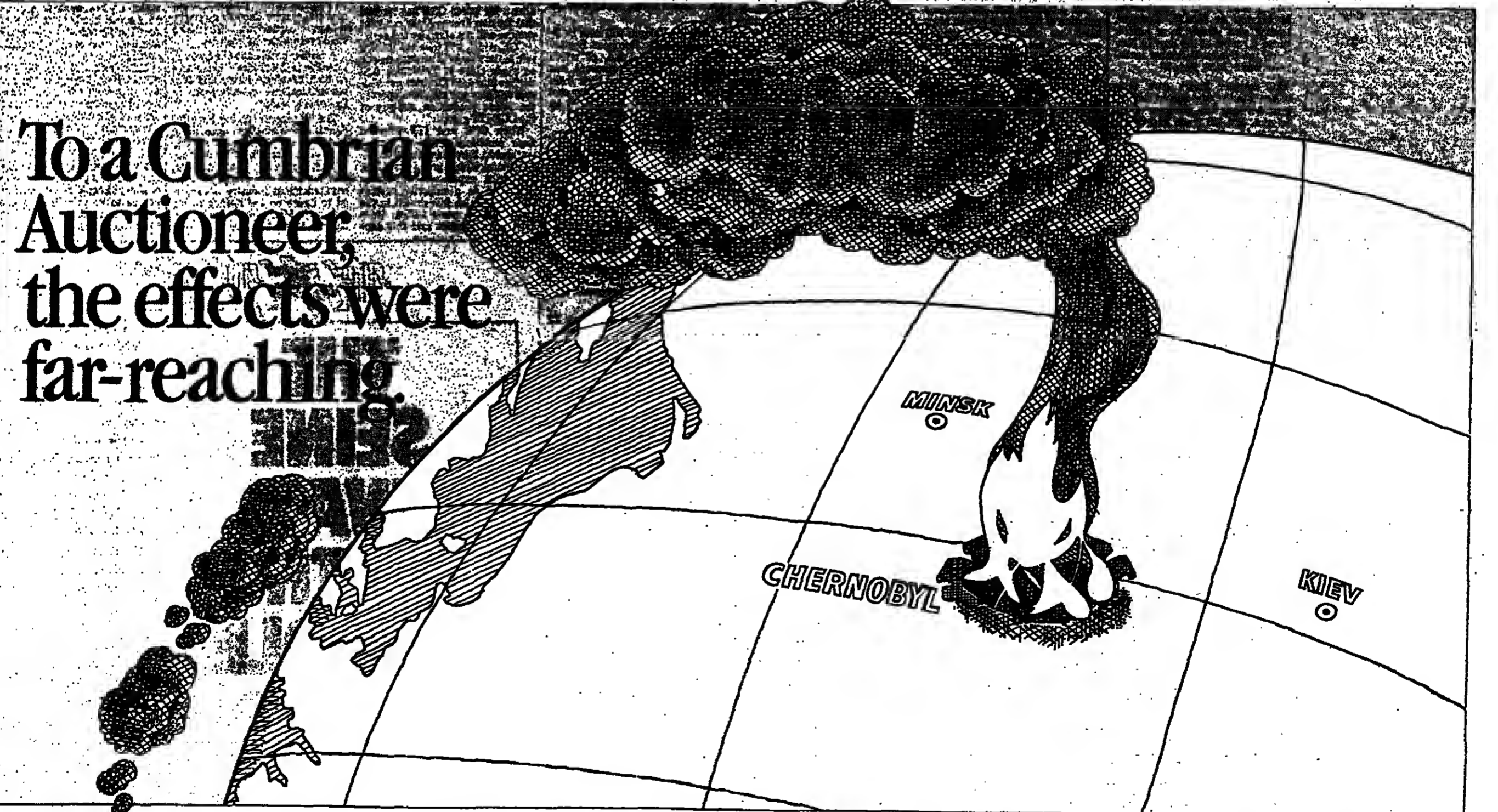
### Declaration by dissidents 'over-estimated in West'

BY LESLIE COLLIT IN BUDAPEST

A MEMBER of the Hungarian opposition which drew up the first joint declaration by East European dissidents in four countries said the significance of the document was "over-estimated" in the West. Mr Ferenc Kocszeg, editor of an underground publication in Budapest, said opponents of the East European governments wanted to strengthen their ties. But there were signs the state security forces would not allow a repetition of their recent concerted action. The joint declaration was issued last weekend by more than 100 dissidents in Hungary, Poland, Czechoslovakia and East Germany for the 30th anniversary last Thursday of the outbreak of the Hungarian uprising. They pledged to co-operate to achieve the independence, pluralist democracy and neutrality of their countries. The declaration was hailed by some Westerners as opening

a new dimension in East European dissident activities. The utilities were carrying out public information work following the Chernobyl nuclear mishap, he said. The SPD have come out in favour of a gradual phasing out of nuclear power over the next 10 years. But the spokesman pointed out that Mr Helmut Schmidt, the former SPD Chancellor, had called on industry in general to make a greater effort to explain its policies through public relations work. Although banks and industry deny that their campaigns have any direct relations to the election campaign, government officials do not try to pretend that the sympathies of big business are not firmly on the side of the CDU-led coalition government. One government official commented yesterday: "The banks want the sort of economic policy (based on price stability) that many others are aiming for too... therefore they are making a corresponding advertising campaign."

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For several companies in Cumbria the effects of Chernobyl were more than just environmental. Their unpredictability only serving to underline the importance of insuring against bad debts. Consider this chain reaction: Soon after the disaster, fall-out was detected over the North-West. This led to the Government placing a temporary ban on the slaughtering of lambs.

As a consequence, a number of abattoirs went into liquidation. Luckily, one creditor had wisely insured with Trade Indemnity, who paid off the outstanding debt. This meant that the creditor, in this case a local firm of animal auctioneers, was able to continue trading. Had the company not been covered by credit insurance it would have had to increase its turnover tenfold just to cover the cost of the bad debt.

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EUROPEAN NEWS

Bonn seeks joint line with Paris on troop cuts

BY DAVID MARSH IN BONN

WEST GERMANY yesterday stepped up efforts to forge a joint line with France over reducing conventional forces in Europe...

Hungary's hard currency deficit up

By Leslie Collitt in Budapest

HUNGARY'S CURRENT account deficit in hard currency shot up to \$942m (\$862m) in the first seven months of the year...

French aim to build 60 private prisons

BY PAUL BETTS IN PARIS

NOT CONTENT with its programme to privatise the country's major state industrial and financial group, the French conservative Government is now embarking on an ambitious and novel programme to build between 60 and 70 private prisons between now and 1990.

These are expected to be able to house between 200 to 450 inmates each. The Government will retain overall control of the private prisons, but the private contractors would manage them on the basis of an 18-year renewable contract.

Swedish unions plan to step up strike action

BY SARA WEBB, STOCKHOLM CORRESPONDENT

SWEDISH public sector unions were last night planning to step up their four-week-long campaign of industrial action with a fresh wave of strikes due to begin today.

Geneva treaty violations 'grave'

AN OFFICIAL report to the International Red Cross conference yesterday told of a long list of violations of humanitarian law in a rising number of armed conflicts throughout the world.

The report cited grave failures to comply with the Geneva Conventions on the protection of prisoners and civilian populations even in countries receiving aid from the humanitarian agency.

Airbus awaits report on jet bulkhead 'failure'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

Airbus Industrie, the European aircraft manufacturer, is still awaiting late yesterday a preliminary report from its own technical team in Osaka, Japan, studying the reported failure of a rear-pressure bulkhead in a Thai International A-300-600 airliner flying from Manila to Osaka over the weekend.

W. German surplus

West Germany's current account surplus provisionally widened to DM 6.8bn (\$2.4bn) in September from a downward revised DM 4.1bn in August.

France to pursue nuclear power despite Chernobyl

NUCLEAR power will be France's energy of the future despite the accident last April at Chernobyl, a senior official of France's state-run electricity company said yesterday.

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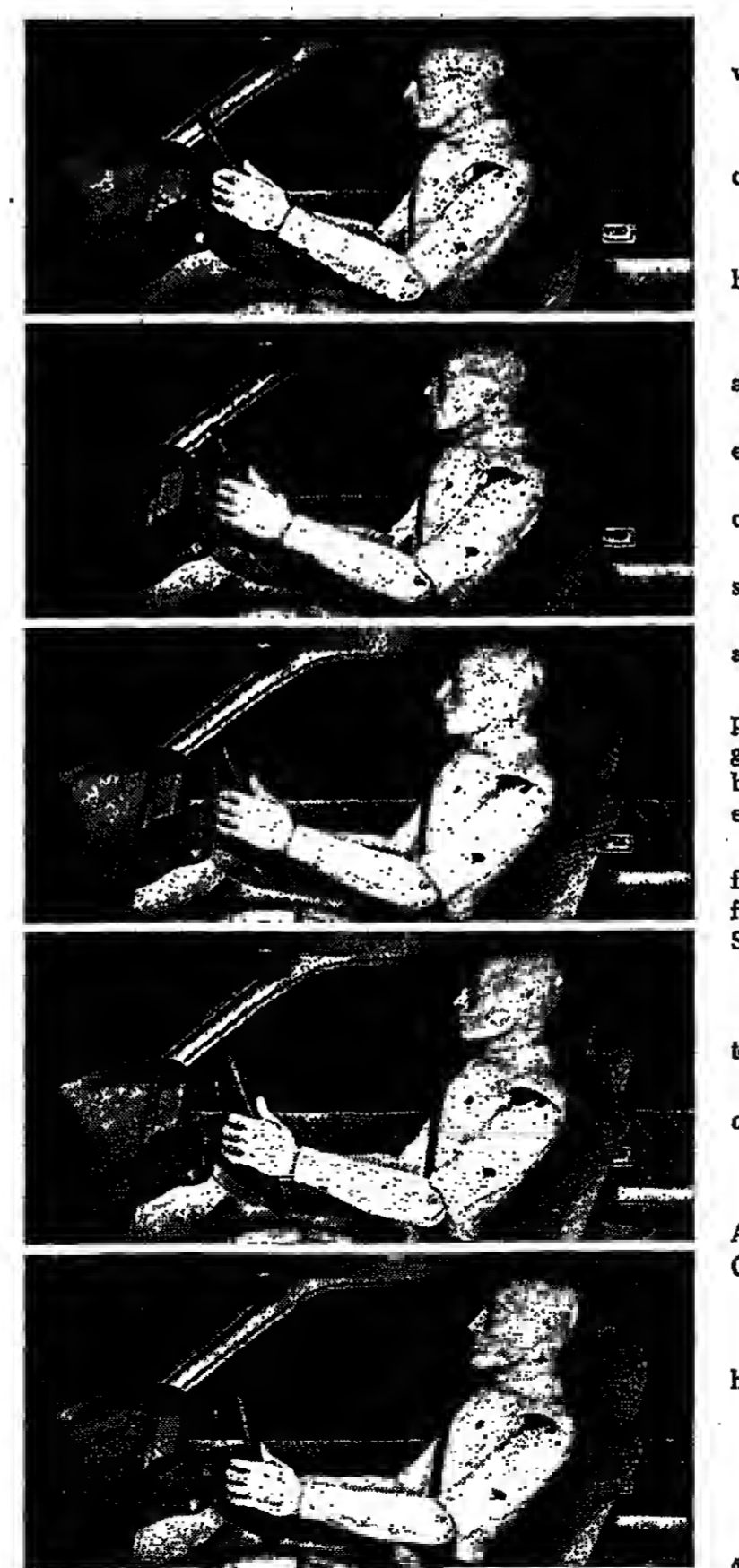
NOTICE IS HEREBY GIVEN that, pursuant to the Indenture dated as of May 15, 1977 of Tenneco International N.V. and Tenneco Inc., as Guarantor, and Chemical Bank (the "Trustee"), Tenneco International N.V. has elected to exercise its option to redeem on December 2, 1986 (the "Redemption Date") all of its 7 3/4% Guaranteed Debentures Due May 15, 1987 (the "Debentures") at 100.00% of the principal amount thereof (the "Redemption Price").

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OVERSEAS NEWS

S African mines hit as 40,000 blacks strike

By Jim Jones in Johannesburg

ALMOST 40,000 black miners have gone on strike in support of wage demands at three gold mines managed by Gold Fields of South Africa...

Reserve Bank official faces police investigation

By our Johannesburg correspondent

DR JAN LOMBARD, a deputy governor of the South African Reserve Bank, has voluntarily relinquished his foreign exchange control responsibilities...

Hong Kong exports rise by 27%

By David Kowall in Hong Kong

HONG KONG'S domestic exports rose to HK\$14.94bn (£1.25bn) last month, 27 per cent above the figure of HK\$10.98bn a year ago...

Wong Sulong in Kuala Lumpur analyses an austerity budget Reining in the Malaysian big spenders

THE MALAYSIAN Government has adopted a three-pronged strategy in its 1987 budget to confront the problems of a zero growth economy...

Table with 3 columns: Year (1985, 1986, 1987) and various financial metrics like Gross National Product, Consumption expenditure, etc.

remaining M\$6.07bn for development. Development spending has been slashed by 24 per cent with housing, health, and other social and economic services...

Truce takes hold in S Lebanon

A SYRIAN-MEDIATED truce began to take hold in south Lebanon yesterday as Sunni Muslim militiamen were deployed to separate Palestinian guerrillas from their Shia Muslim foes...

Witnesses said 80 Sunni fighters of the local Popular Liberation Army (PLA) set up checkpoints on roads near Miyeh Miyeh camp...

S Korea predicts foreign debt fall

SOUTH KOREA expects its annual foreign debt to fall for the first time this year, officials at the Government's Economic Planning Board said yesterday...

Machel air crash victims buried

By Victor Mallet in Maputo

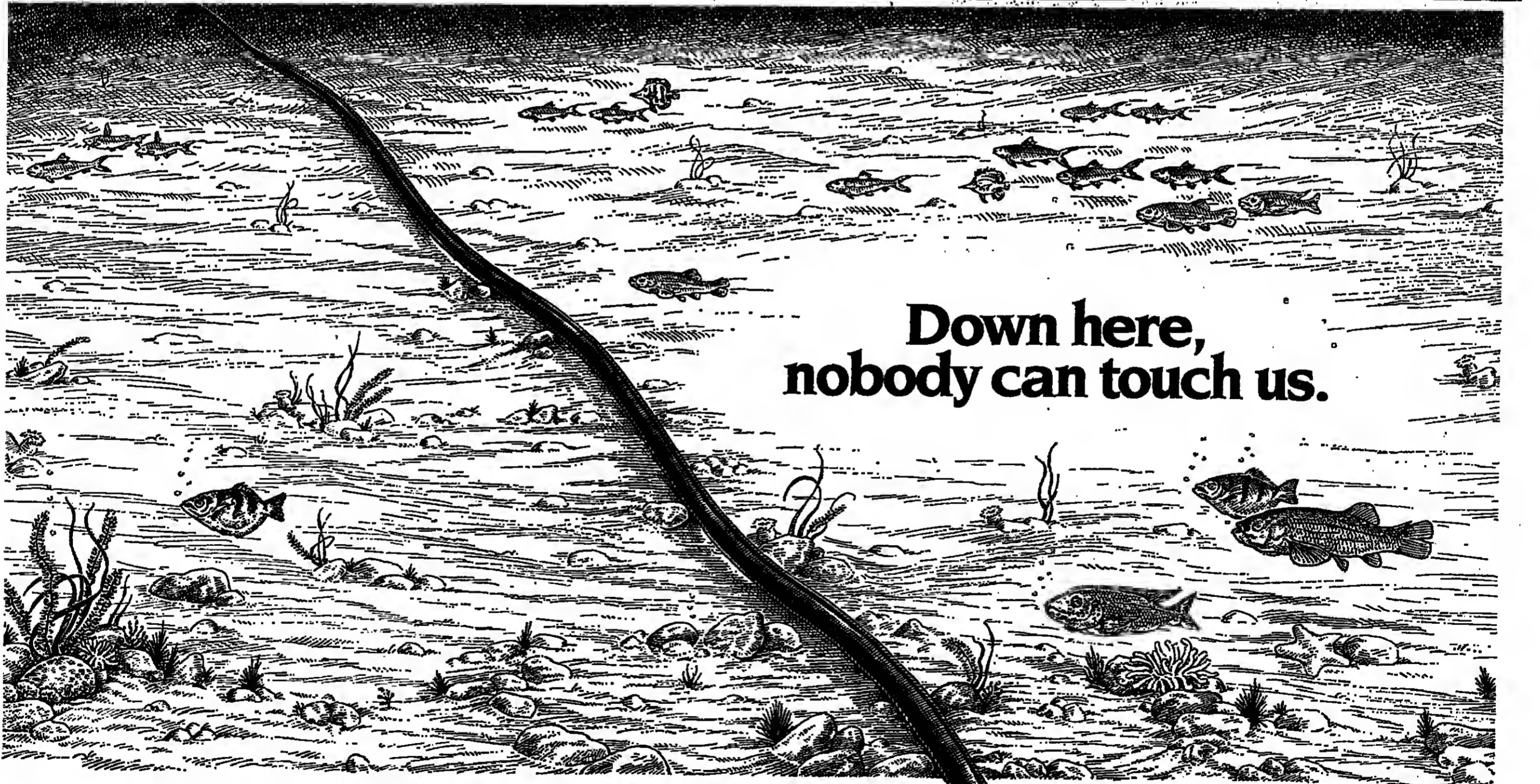
SEVENTEEN MEMBERS of Mozambique President Samora Machel's entourage, killed with him in an air crash in South Africa...

Suharto to stand for re-election

By John Murray Brown in Jakarta

PRESIDENT SUHARTO of Indonesia is to stand for re-election in 1988, a contest which most observers agree he is certain to win...

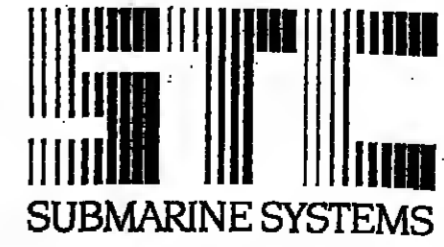
Movement. The president has long aspired to lead the movement. There were also signs of the Government's increased unease ahead of next year's national elections...



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### AMERICAN NEWS

## Stewart Fleming on a Republican drive in a traditional Democrat area Yankees fight for southern vote

WHEN Democratic and Republican Party strategists sit down to analyse the results of next week's US mid-term elections, the south of the country will be the focus of the most intense scrutiny.

The 11 states of the old confederacy, stretching in an arc from Virginia in the east to Texas in the west, are the front line in the struggle for political advantage, not only this year, but also in the Presidential election in 1988 and beyond.

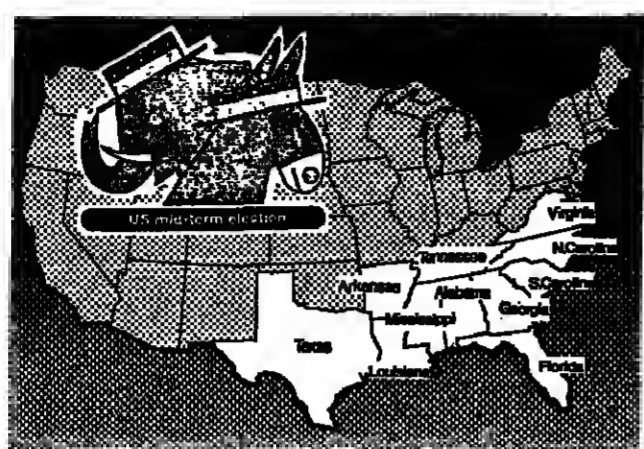
Recently, a volatile mixture of social, economic and political changes in the region has presented both parties with a challenge.

Partly as a result of President Ronald Reagan's personal popularity and conservative approach and partly because of internal Republican Party reforms, the once solidly Democratic south has been changing its profile.

Republicans won four Senate seats in 1980 and eight in the House of Representatives in 1984, making a total of 10 out of the 22 southern Senate seats but still only 73 of the 189 House seats today.

Should Mr Reagan's strong campaign in the region pay off and the party retain its gains, the Republicans' chances of keeping control of the Senate would also be improved. Mr Reagan would also be able to claim that the voters are again endorsing his policies, laying the groundwork for the 1988 Presidential election.

Party officials suspect, however, that they would be unwise to bank on a breakthrough this year, even in states such as Georgia, where trends such as rapid urbanisation, the mushrooming of wealthy suburban enclaves around Atlanta, the immigration of Republican



voters from other states and the divisions within the Democratic Party have helped their chances.

State Senator Paul Coverdale, chairman of the Georgia Democratic Party, has no doubt that the party has made giant strides in terms of organisation and fund raising. Few Democrats would dispute his contention that "we are dramatically ahead in our ability to raise funds... (and) to get out the vote."

But, he concedes, "we are a long way from having accomplished our goal."

More worrying to Democrat strategists is the evidence that

young white voters are even less inclined to see themselves as party loyalists. A Washington Post/ABC News poll earlier this year found that 70 per cent of white southern voters under the age of 26 identified themselves as Republicans compared with only 58 per cent nationally.

Based initially on antipathy towards the "Yankee" Republican President Abraham Lincoln, the transformation of much of the south into virtually a one-party democratic state was completed under President Franklin Roosevelt in the 1930s when he won the allegiance of black voters.

But in the past 20 years, Republicans have treasured a dream of success, starting with Senator Barry Goldwater who carried the south in 1964 in the face of the national landslide in favour of President Lyndon Johnson.

President Nixon also saw the region as fertile ground for the Democrats, not least because southern Democrats see conservative. In the past six years the party has begun to believe it could be on the verge of an

historic realignment of the parties.

The Republicans remain baffled, however, about southern voters' behaviour. In spite of the evidence of growing support for the Republican Party nationally, in local elections southerners remain solidly Democratic. All but two of the 11 states have Democratic Governors and in state legislatures, Democrats outnumber Republicans by almost three to one. At lower levels the tendency is even more marked.

One explanation lies in the way in which Democratic candidates for national office support more conservative political philosophies than the party as a whole. A group of right-wing "boll weevil" Democrats have been President Reagan's most staunch supporters on fiscal, defence and foreign policy, for instance. Southern Democrats are actively seeking to move the party as a whole to the right, with some success.

The strength of the Democrats' southern base is also undermined by a lingering suspicion that the Republicans are elitist and alien. Southerners doubt whether President Reagan's emphasis on private enterprise is justified in a region which has had to rely for decades on local government to promote economic development. The historic allegiance of the party of black voters has also not been eroded by the Republican Party's appeal, partly because the Democrats can often put up the best candidates for office.

The Democrats themselves are well aware that their southern coalition is under pressure. Officials in both parties are worried that as the Democratic Party moves to the centre and the Republican Party falls to recruit black voters, the region is becoming increasingly polarised along



Paul Hawkins... close race

racial and economic lines. Blacks in particular are beginning to feel that neither party is responsive to their needs. "Blacks are being left out of both political parties," says Senator Coverdale. "It's a massive problem."

The south is thus a political melting pot where old traditions are breaking down and new ones still forming. Republicans concede privately that they are also worried about the potentially divisive influence which the extreme religious right could have on their party.

The first test of Republican strength next week will be the fate of Senator Paula Hawkins in Florida, Mack Mattingly in Georgia and Jeremiah Denton in Alabama, all conservatives who first won election with the help of President Reagan in 1980 and face strong competition.

Strategists will also be watching the vote for the Governorship in Florida, where Mr Bob Martinez, a Republican Hispanic, seems to have the edge, plus a score of elections for the House of Representatives where Republicans must defend the victories of the past six years and other local elections.

The outcome could have a profound impact, not only on the politics of the region, but also on the nation as a whole.

## Call for reform of banking law in US

By William Hall in San Francisco

US BANKING laws must be changed to enable US banks to compete effectively in the rapidly growing global financial markets, a leading US bank regulator said yesterday.

Mr Robert Clarke, Comptroller of the Currency, told the annual convention of the American Bankers Association in San Francisco: "US banks operate under laws that contradict the end of the laws themselves. That end — that purpose — is the enhancement of the strength and stability of our banking system."

"Instead of making our banking system stronger, these laws make it weaker. These laws constitute US banks in the face of world competition, and thus they are a misapplication and abuse of our reason. For American banking to be preserved, these laws must be changed," he said.

His speech is the latest indication of the growing official concern of the US at the lack of progress in changing its 1914 laws which hedge US banks with all sorts of restrictions and limit their ability to take on a growing number of international competitors.

Mr Clarke specifically singled out yesterday's "Big Bang" in London as another sign of the "dizzying speed" with which the global financial markets were changing.

"I am concerned when only one US bank is among the world's largest ten. I am concerned that our banking structure is not equipped to meet the competition when a major Japanese bank can propose to become a partner in a major American securities firm — while American banks are severely limited in the types of securities activities in which they can engage here."

"I am concerned that our banking system is not equipped to meet the competition when an American bank can do things in London or Tokyo that it is prohibited from doing in the United States."

Mr Clarke said his concern — as a public official charged with maintaining the safety and soundness of the American banking system — was to ensure that "our banking structure enhances the international competitiveness of the US banks in the global arena."

## Sarney bows to pressure for economic change

By IVO DAWWAY IN RIO DE JANEIRO

PRESIDENT JOSE SARNEY of Brazil has finally conceded that his Government will launch a package of economic measures after national elections on November 15.

The decision comes after weeks of pressure from industry and economists for adjustments to the troubled Cruzado Plan, the anti-inflationary shock treatment for the economy introduced in February.

Until last week, both the president and Mr Dilson Funaro, Finance Minister, were insistent that no lifting of the plan's blanket price freezes was scheduled. Mr Sarney said he had no intention of authorising a fiscal package that would raise tax rates.

However, in a recent nationwide radio broadcast, he said some changes were necessary, but no measures would be taken to set the economy on a recessionary course.

Strains in the economy have been evident for months as a consumer boom resulting from higher disposable incomes and growing employment have left shortages of many products in shops. Meat, milk, paper and medicines are among the items that have disappeared from supermarkets, sometimes for several days.

While this year Brazil hopes to record growth, the need for restructuring is expected to lead to some slowdown in 1987.

## US snubbed over Contra training

By LIONEL BARBER IN WASHINGTON

THREE Central American countries — El Salvador, Honduras and Costa Rica — have objected to the US using their territory to train Nicaraguan Contra rebels trying to overthrow the leftist Sandinista Government.

The refusal by the three countries, which border Nicaragua, leaves the Reagan Administration with little option but to train the Contras in the US.

Such a move would raise public awareness about US involvement in the civil war in Nicaragua. The US is believed to be looking for remote sites to train the rebels, following

Congressional approval of \$100m of aid, the bulk of which will fund arms and ammunition. Diplomats from the three Central American countries said in Washington yesterday that they had turned down a US request to use their territory for Contra training because they did not want to become embroiled in the war.

Both the White House and the Defense Department declined to comment yesterday on the snub delivered by the three Central American countries or on a report in the Washington Post that officials had tentatively decided to opt for training bases in the US.

## Argentina tries to lay the ghost of military repression

After 20 years, Argentina's National Security Doctrine, which gave legal backing to the Dirty War, the counter-insurgency campaign of the 1970s, and provided a pretext for the military takeover, is about to be consigned to the history books.

Last week, the Senate approved a text for a new defence law which specifically excludes the military from intervening in internal conflict.

After the coup in 1976, almost 9,000 people disappeared after being abducted by the military, police or paramilitary squads, mostly from their homes at night.

The military's objective was to eliminate two left-wing guerrilla organisations, the Revolutionary People's Army and the Montoneros which in the early 1970s began military actions throughout the country, however, in the process, not only were the guerrilla organisations annihilated, so was Argentina's democracy.

The National Security Doctrine had its roots in a law dating from 1966 and an earlier military coup which gave the armed forces a pre-eminent role in Argentine politics.

Article 2 of the law says "interferences and substantial disturbances" to the vital interests of the state are sufficient to justify military intervention. The law linked intelligence gathering to national planning, sought to integrate internal, external economic and defence policies with national security policy, and gave the armed forces sweeping powers to obtain information on the public from government bodies.

In the past year, the government's defence bill — aimed at taking the military out of politics — has struggled through the House of Deputies after delaying action from the right-wing, and finally emerged from the Senate last week.

The bill now stands every chance of becoming law. If it does, the 1966 National Security Law will be abolished. The new bill means many changes.

National defence will be organised only to counter external threats.

Military intelligence will be prohibited from gathering information on political organisations and will be restricted to gathering information of strategic military importance. It will be directly responsible to the Minister of Defence rather than the military high

command.

Members of the Senate and Chamber of Deputies are to join a reorganised National Defence Council to give it greater civilian representation.

Economic policy is to be formally separated from defence policy.

The bill has invited opposition from the armed forces, many of whose members still

argue that they acted correctly during the Dirty War.

All three heads of the armed forces were invited to present their views to the Senate on the new bill, and all of them, most notably the Air Force head, Brigadier Horacio Crespo argued for the National Security Doctrine. He said the military could be used against terrorism, drug-trafficking, organised crime, population decline in the interior of the country, and in action against "ideological infiltration" in the educational cultural spheres.

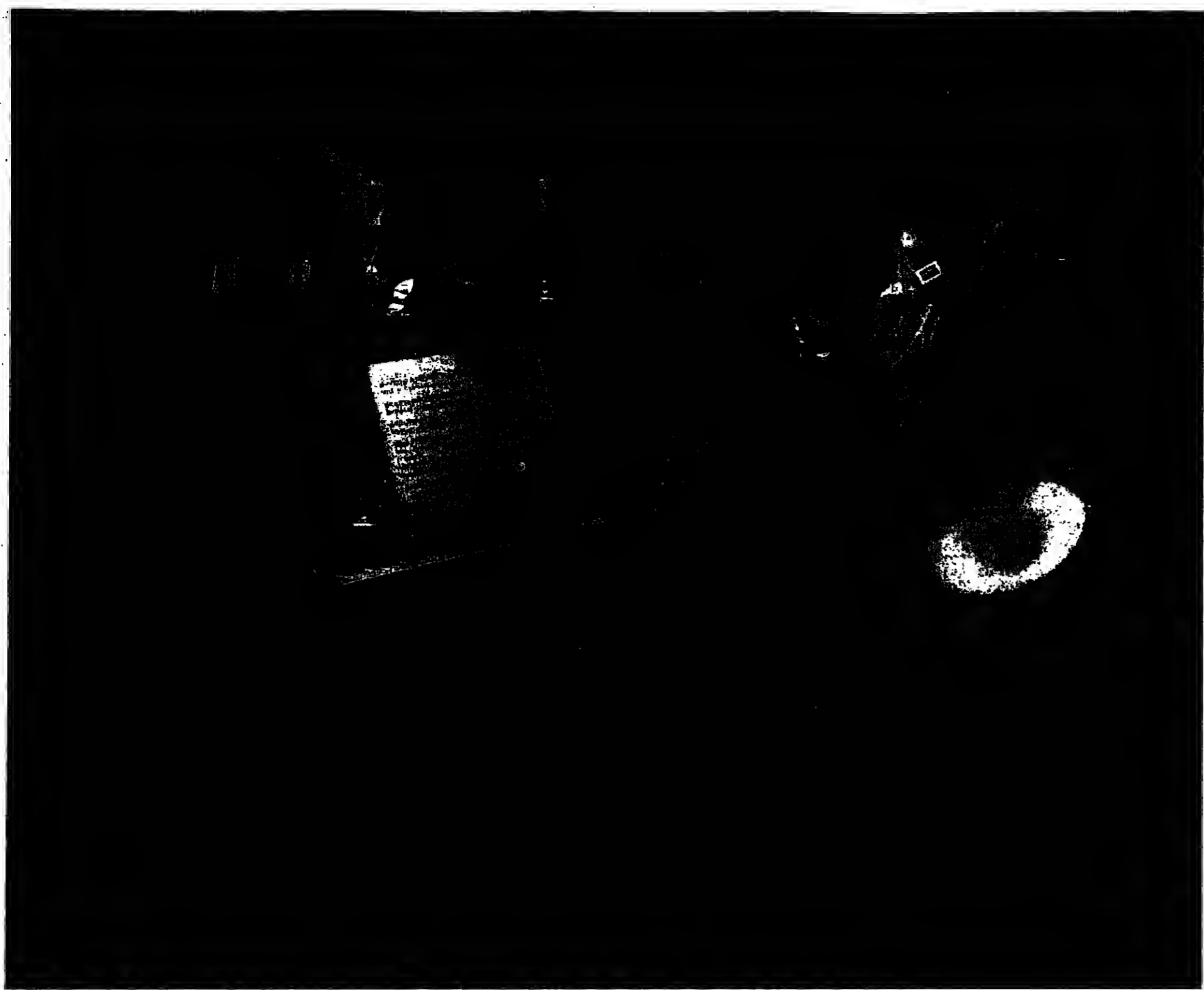
Many still favour such a prominent role for the military. But it is clearly the aim of President Alfonsín's government that such views should not prevail in a modern Argentina.

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No-one could say because no-one knew. Not even John Smith. He was just thankful to have the four 'gifts of God' in such abundance and in such a mystical combination.

**Famous, but infamous.**

At first, John Smith distilled his beloved malt illegally, like all his friends and neighbours, refusing to hand over one penny in taxes.

He passionately believed in the Highlander's right to make his own dram, in his own home, without interference from the Government,



especially a Sassenoch Government! (Robert Burns put the Highlanders' contempt for the Revenue men in a nutshell. "Freedam and whisky gong thegither!")

But the word spread about John Smith's magnificent illicit dram. It stood apart from other malts, with its distinctive 'nose' and unique subtle taste. A smooth, mellow integration of peatiness, softness and sweetness.

Soon, THE GLENLIVET was the toast of gentlemen, lords and even a king. (George IV was said to drink 'nothing else'.)

Such a whisky couldn't remain outside the law indefinitely. And so in 1824, at the ripe old age of 77, THE GLENLIVET distillery became a legal establishment.

Connoisseurs have been appreciating it and writing about it ever since. In St. Ronan's Well by Sir Walter Scott, the Captain praised THE GLENLIVET thus:

*"By cot, it is the only liquor fit for a gentleman to drink in the morning, if he can have the good fortune to come by it you see"*

There are other fine malts, of course.

But none with enough romance and character to have created such a song and dance as THE GLENLIVET.

# When people weren't drinking The Glenlivet, they were singing its praises.

Ordinary malt whiskies merely touch the lips.

But THE GLENLIVET® single malt whisky touches the soul.

Lauded in literature, verse, and music, in humour and philosophy, it has stirred the creative imagination of Scotsmen for generations.

One J. Scott Skinner was inspired enough to compose a whole song dedicated to THE GLENLIVET.

While his glass overflowed, his pen spilled lyrics:

SCOTT SKINNER'S made another tune,  
The very dirl o' reached the moon,  
Till ilka lassie an' her loon  
Commenced the dance [in] frisky, O!

The burden o' the sang was this—  
"We never felt sic Lunar bliss;  
Anither reel, an' syne a kiss,  
Ower gude Glenlivet Whisky, O!"

Freemasons! to the Major drink—  
We daurna speak, but we can think,  
An' heaven be thankit, we can think,  
An' thinkin, feel richt frisky, O!  
Lang may they thrive in stock an' store,  
Balmnash, Craggan, an' Minmore,  
An' I'll be up to ha'e a splore  
In gran' Glenlivet Whisky, O!

Praise indeed for the 'Grandfather of all Scotch.'

But if THE GLENLIVET was music to Scott Skinner's ears, then to W.E. Aytoun it was nothing short of miraculous.

In the celebrated ballad 'The Massacre of Mopherson'

Aytoun tells us that:

*"Thairson had a son  
Who married Noah's daughter  
And nearly spoilt ta flood  
By trinkin' up ta water,  
Which he would have done—  
At least, believe it—  
Had ta mixture been  
Only half Glenlivet."*

Another Scottish writer went even further...

**The Immortal Glenlivet.**

Christopher North believed THE GLENLIVET held the secret of eternal life! In his famous series of sketches for Blackwood's Magazine in 1827, he quoted James Hogg, the Ettrick Shepherd:

*"Gie me the real Glenlivet, and I woot believe I could mak drinking toddy out o' sea-water. The human mind never tires o' Glenlivet, any mair than o' carrier air. If a body could just jine oot the exact proportion and quantity that ought to be drunk every day and keep to that, I verily trow that he might leave for ever, without ailing at a', and that doctors and kirkyards would go out o' fashion."*

Such eulogies quickly raised THE GLENLIVET to the legendary status it enjoys today.

Gow, alias Smith.  
But when our founder's ancestor,

John Gow, first distilled THE GLENLIVET in 1747, he had no idea how famous his whisky would become.

In fact, fame and fortune were the last things on his mind.

John Gow was actually seeking anonymity.

You see, he had fought and last with Bonnie Prince Charlie and had to flee with his family for fear of his life.

He changed his name to Smith to baffle the English soldiers and retreated North to a remote Highland valley.

**Lady Luck and Mother Nature.**

As if to make up for Gow's misfortune on the battlefield of Culloden, Lady Luck guided him to a magical place.

A place where Mother Nature had assembled the perfect elements for making malt whisky.

There were rich crops of barley. Fields carpeted with peat. Soft Highland air.

And most precious of all, pure spring water from a source known as Josie's Well.

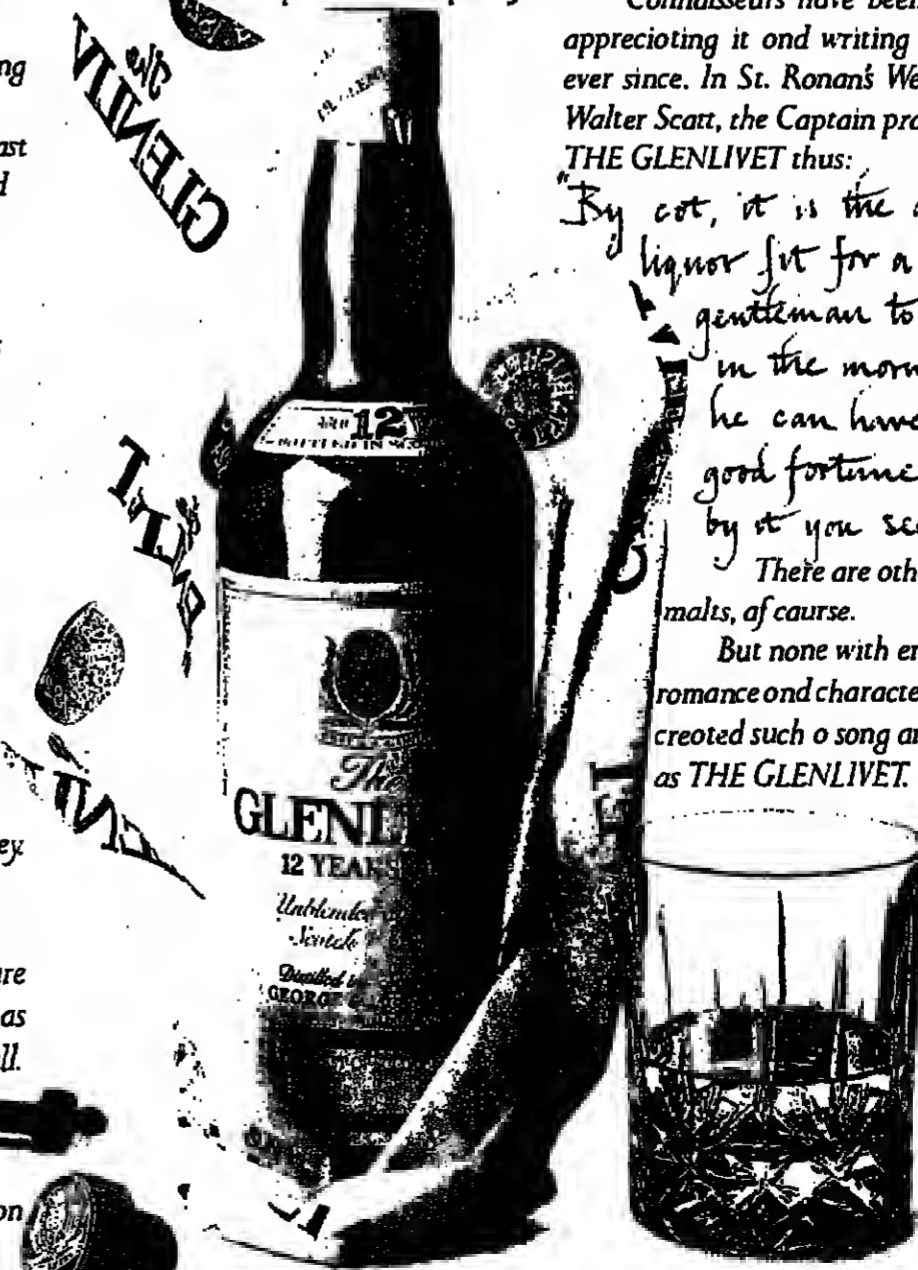
It was here beside Josie's Well that John Gow (alias Smith) began his new life as former and distiller.

THE GLENLIVET was born.

And it was out of this world.

No-one could explain why it was so special. It just was.

Perhaps it was the quality



Scotland's first malt whisky.

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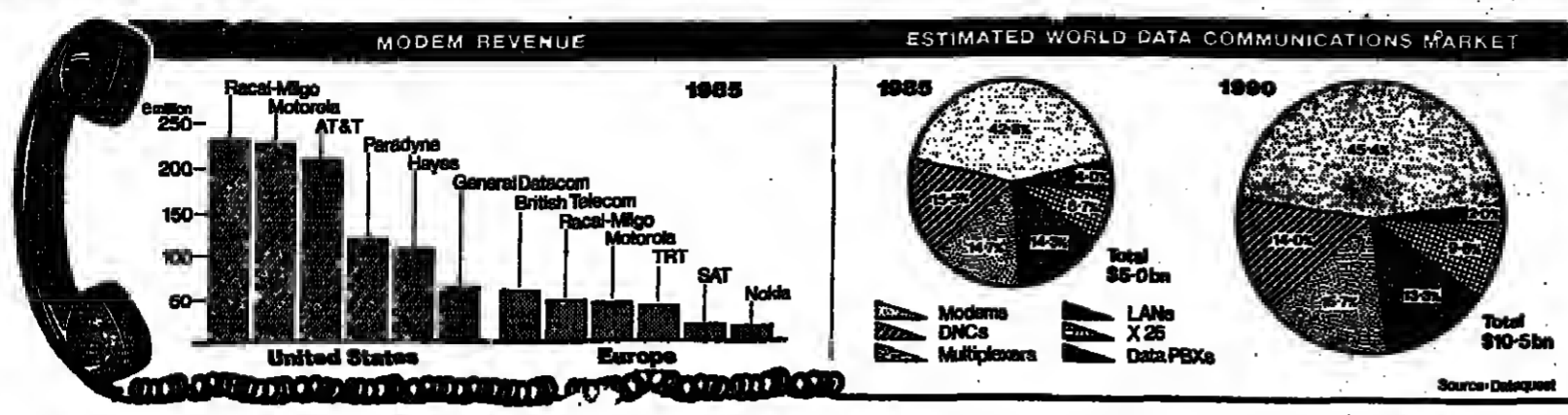
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TECHNOLOGY

**Lovell**  
BICENTENARY  
Two centuries  
strong and  
building  
1786 // 1986



KEY: DNCs, data network control systems. LANs, local area networks. X.25, packet switching equipment. PBXs, private branch exchanges

Indian summer in the life of the modem

Digital telephone networks will kill off these data conversion devices. But despite predictions of an early demise the market continues to boom, reports Jane Rippeteau

IN 1981, Roger Walton wrote a report on the modem market which predicted — he now recalls with a chuckle — that "it would die by 1985."

Today, Walton is in charge of marketing modems for the UK branch of one of the world's top suppliers, Motorola Inc of the US, giving him a key slice of a business that, despite his and others' predictions, is still booming. His company recently launched one of the most advanced machines on the market.

Modems are book-sized electronic devices that convert digital data to analog form and vice versa, making it possible for computers to "talk" to each other over the telephone network (see accompanying story).

Demand has soared — at times up to 20 per cent annually — powered by the expanding communications needs of large corporations. Today, modems account for over 40 per cent of the \$5bn world data communications equipment market, according to the UK arm of the market research company Dataquest Inc. of San Jose, California. Dataquest predicts sales will exceed 45 per cent of a \$10.5bn market by 1990.

The conundrum is this: The telephone system itself is gradually being converted to digital operation. Eventually, it will be the human voice that is converted to digital form (by tiny chips buried in the telephone handset), rather than data made analog. When that happens, modems will be out of a job.

Certainly, it was obvious five years ago that this could happen, and it has already begun to. Telephone operating companies are consistently replacing old analog lines with digital transmission and switching equipment. And they are

creating special lines, not part of the public network, for business users.

"It was the advent of digital telephone lines that really scared people," says Peter John Stauvers, market research manager for Case Communications, a maker of modems and other data communications equipment. "Everybody thought the market would decline," he adds.

But users proved them wrong. In particular, the expanding needs of businesses to transmit data far exceeded the pace at which the telephone system is going digital. A few days ago in Turkey, for instance, Garanti Bank in Istanbul signed up for a \$750,000 package of high-end modems to control a network linking 100 branches to its main computer centre, according to supplier Racal-Milgo.

Says Philip Corbishley, a strategic marketing manager at Racal-Milgo: "Digital networks

could eventually kill off the modem, but you have to have digital networks available everywhere." Business users, who might be able to lease digital lines in one geographical area but not others, resist mixing their networks, he explains.

At the same time, sales of modems to individual users have boomed as prices dropped and performance improved. The falling price of electronic components helped drive low-end modem prices in the UK from some £50 two years ago to as low as £50 to £60 now, says Corbishley. The next expected wave "is a modem-on-a-card that snaps into the back of a PC (personal computer)," says Stauvers. The home market "is where we expect the next spurt to be," he adds.

Prices of both low and high-end machines are unlikely to erode further, suppliers say. But performance will rise as manufacturers, keen to squeeze

the last revenues out of a maturing business, add the bells and whistles that will continue to entice buyers.

Advanced features are especially important at the top end of the market for business buyers, where margins are highest. Higher speed and sophisticated "thinking" features to help managers operate their data networks are now available. Some machines can detect if line quality is poor and automatically switch down to a lower transmission rate to avoid errors. Others can alert network managers of potential trouble so that evasive action can be taken.

Motorola sees a marketing edge in competing for transatlantic business. To send data, businesses typically lease lines from a telephone operating company. "To leave a circuit between London and New York costs £50,000 a year," says

Walton of Motorola. "If you can get a modem that operates twice as fast, you can save a lot," he adds. To wit, Motorola last spring, in competition with at least one other supplier, introduced a model operating at 19,200 bits per second — twice the speed of a typical leased circuit machine.

"Modems are a growth business, but the window is tight," pending widespread use of digital circuits by satellite and undersea cable, concedes Walton. He would not reveal the price of his company's new machine, except to note it was "an awful lot less than £50,000."

Another bright spot is the US market, where penetration of digital lines, and in the UK, a large percentage of businesses are in a few confined geographical areas where British Telecom is fast installing digital exchanges. By 1990, BT expects half of its local exchanges will be digital.

Despite these pockets of growth, most suppliers are still wary of their modems business, which they now predict will peak in the early 1990s. Suppliers are diversifying into other data communications product areas, devices known as multiplexers, network terminators, data PBXs and other tools that will make the digital networks of tomorrow run.

The concept that the public telephone network will one day be digital and able to carry a variety of services, including voice, data and even video, is known as ISDN (for integrated services digital network). But until it exists, says Walton, "anybody on the old analog networks who wants to do data communications has to have a modem."

Business lessons to be learned from 50 years of television

IN THE next few weeks, the public in Britain will be receiving more than its regular dosage of news about television. Next Sunday, November 2, is the 50th anniversary of the world's first regular, high definition public television service. The BBC's inauguration of daily TV programmes (Sundays excepted) occurred at 3 pm on Monday, November 2, 1936 with speeches, a weather report, a cinema newscast and a variety show featuring comedians, dancers and Chinese jugglers.

The 50-year celebrations include an exhibition at Bradford's National Museum of Photography, Film and Television, another at the Royal Festival Hall in London staged by the Museum of the Moving Image (now under construction) and a 75 video screen spectacular at the Commonwealth Institute in London presented by the Royal Television Society.

The anniversary may revive long-running controversies about who actually invented television, and will certainly cause a few to fall into the trap of giving the BBC unqualified credit for a world first (the operative qualifications are "regular," "public" and "high definition" — the latter in those days a very relative term).

Unfortunately for the television industry, the one thing that all of this preoccupation with history may probably fail to do is to analyse past mistakes as a means of creating future strategies. History does repeat itself, and the media world is full of examples for those ready to learn.

John Logie Baird, the man who undoubtedly made the first successful demonstration of television (in 1926) eventually failed in business because he backed the wrong technology — and stubbornly refused to recognise the fact. His television system relied on the mechanical scanning of the image — unlike Marconi-EMI's which employed electronic scanning and survives in principle today.

So lesson number one is to avoid dead-end technologies. And, whether or not the right system has been chosen, lesson number two is not to assess commercial merits of new ideas on the basis of existing experience. The howlers made

by those who failed to recognise the importance of television are now almost legendary: "well, what's the good of it when you've got it?" (a member of the Royal Institution, 1926); and in 1924 from AA Campbell Swinton, the pioneer of the cathode ray tube (the right system) — "the real difficulty with regard to this subject is that it is probably scarcely worth anybody's while to pursue it."

Comments of this kind are not unfamiliar to those who have followed the more recent history of the video disc, now the subject of a book about RCA's colossal failure in that technology — RCA as the Videodisc (by Margaret

material and interact with it as easily as turning the pages of a book. Or, again, as this column described it, combining the fluency of moving pictures with the flexibility of the computer.

Fortunately for Phillips, even though the concept of the interactive video disc had no previous culture to draw upon there were enough users around in the 1970s who recognised the potential of this new medium.

Despite what the cynics said about the video disc, it has now undoubtedly arrived and is here to stay; not as RCA promoted it, a consumer product for watching movies, but as a versatile system quite unlike any medium we have experienced before. Lloyds Bank, British Telecom, the US Department of Defense, museums around the world, universities, medical schools — these and hundreds of other organisations are now committed users.

The leap to consumer recognition has still to be made. But another bit of history repeating itself may shortly help the video disc to clear that hurdle. This year is the 900th anniversary of the Domesday Book, Britain's remarkable record of life in towns and villages. Enter again the BBC, whose forthcoming 20th century version of Domesday — on video disc — is soon to be launched.

This remarkable project will provide on two video discs a vast computer-controlled library of information about Britain in text, pictures, movies and sound. It includes the entire Ordnance Survey maps (which on paper would cost over £6,000), the National Census, and a treasury of pictures and facts about Britain's villages, towns, work, leisure, people and the environment.

Every market researcher, school teacher, librarian, even advertising agency will find it hard to resist. The official unveiling by the BBC is expected "soon," but for those who have had an early glimpse of the programmes there is little doubt that history will be soon repeating itself yet again — a new medium, slow in consumer development (photography took 50 years, television 15), but at last discovering its own uniqueness: despite the perceptions of its inventors.

FILM AND VIDEO  
by John Chittock



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# And finally, the complete picture.



If you've ever puzzled over the name U-BiX, we'd like to put you in the picture.

For years, we've been known as makers of the most reliable copiers in the business, but you probably don't know about our new range of office equipment.

Fax machines, word processors, personal computers, and electronic filing are now as much a part of our business as photocopiers.

That's why we decided it was high time we changed our name.

So from October 1st, we'll be known as Konica Business Machines.

Now you might be wondering what Konica (more famous for their cameras) have to do with U-BiX, and office equipment.

Well, quite simply, both Konica and U-BiX share the same parents. A company called Konishiroku.

After years of working alongside each other, contributing and swapping ideas, it seemed silly not to use the same corporate identity.

After all, both sides have made significant breakthroughs in their similar fields.

Konica for instance, developed and produced the world's first 'through-the-lens' automatic exposure SLR camera. They also produce their own high quality colour film.

And together with our background in consistently excellent copiers, we are about to launch a revolutionary new full colour copier.

Of course this is only one part of our extensive range of office equipment, which includes high quality products right across the board.

Understandably, we're quite proud of our new identity and to celebrate, for a limited period, we're giving away a free camera with every new photocopier or fax machine.

So to complete the picture, just fill in the coupon below and we'll send you the new Konica Business Machines brochure and a free 35mm. Konica colour film.



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 Fax: (0268) 26030.  
 I'd like to join the name change celebrations. Please send me a brochure  
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**KONICA BUSINESS MACHINES**

UK NEWS

BBA cuts 600 more jobs at parts plant

BY DAVID GOODHART

BBA GROUP, the UK public company which recorded the second fastest growth by market capitalisation in 1985-86, yesterday announced a further 600 redundancies at its Leamington automotive components plant.

Takeover Panel censures AE advisers over shares purchase

BY DAVID GOODHART

THE TAKEOVER Panel yesterday directed one of its sharpest censures for several years at the merchant bank, Hill Samuel, the stockbroker, Cazenove, and the Midland Bank. It also allowed Turner & Newall (T&N) to renew its bid for engineering group AE without having to wait the usual 12 months.

Conservatives may not fill Archer's position in party

BY PETER RIDDELL, POLITICAL EDITOR

CONSERVATIVE LEADERS yesterday decided that Mr Jeffrey Archer would probably not be replaced as deputy chairman of the party after his dramatic resignation on Sunday.

North Sea drilling 'holding up well to oil price fall'

THE NORTH SEA is holding up better than other offshore areas in response to the collapse in the oil price, Mr Alec Buchanan-Smith, Energy Minister told a petroleum geology conference in London yesterday, Lucy Kellaway writes.

DKB ECONOMIC REPORT October 1986: Vol. 15, No. 10

Sluggish investment and export fall push economy into downward slide

"The economy is keeping a firm underne but its growth pace is slow," said the Economic Planning Agency in its monthly economic report in August. Notably, the EPA omitted the word "expansion" in the August report, although it had been using the phrase "slow economic expansion" until the July report.

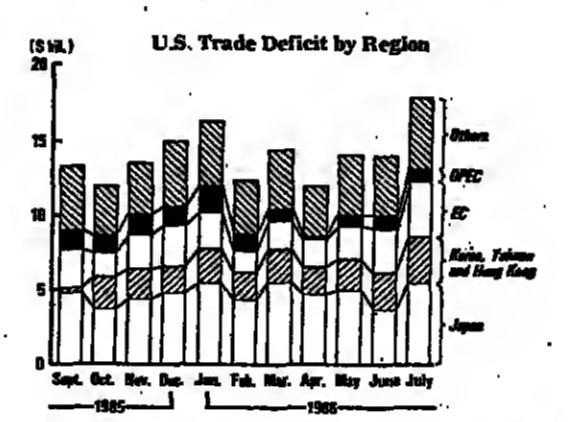
Such a view is already widespread among private economists partly because some economic indicators showed signs of sluggishness at a much earlier stage. For instance, the index of economic indicators, an important measure of business assessment announced monthly by the EPA, supports the view that the economy began a gradual downward slide in the second half of 1985.

Table with 3 columns: Corporate Capital Spending (Year-to-year % change; as of August 1986), FY1984, FY1985, FY1986 (planned). Rows include Major companies, Excluding power utilities, Manufacturing industries, Materials industries, Processing industries, Non-manufacturing industries, Power utilities, Excluding power utilities.

Source: Bank of Japan, "Quarterly Survey on Short-Term Business Outlook 1986; major companies". Note: Figures in parentheses indicate spending plans in the May survey.

London Branch: 4th & 5th Floors, P&O Bldg., Leadenhall Street, London EC3N 4PA, England. Tel: 01-253-0929. Subsidiary in London: Dai-ichi Kangyo International Limited, Garden House, 18 Finsbury Circus, London EC2M 7BR, England. Tel: 01-252-0181.

The Financial Times apologises to regular followers of DKB's monthly Economic Report which should have appeared on Friday, October 24 - due to production difficulties it now appears today.



Source: U.S. Department of Commerce, "Highlights of U.S. Export and Import Trade."

and European currencies, it has not fallen against the currencies of Asian NICs, Canada and some other nations; and 3) the dollar's past strength has weakened the U.S. industry and created a structure where a large part of domestic demand is met by imports.

Therefore, adjustment of foreign exchange rates among industrial countries alone is unlikely to lead to substantial correction of trade imbalances. As the U.S. trade deficit is largely responsible for the sluggish American economy, pressure on Japan to speed domestic demand or strengthen the yen further is expected to increase because Japan continues to run a huge trade surplus in dollar-based prices.

Measures to stimulate domestic demand Japan is thus in a difficult position both at home and abroad. Now that Japan cannot expect export-led growth, the important key to economic recovery seems to be creating more domestic demand. In this process, the following directions are worth attention.

First, it is important to pass on the "triple" benefits of the strong yen, cheap oil and low interest rates to the economy as soon as possible. New housing starts are retaining upward momentum, growing 4.7 per cent in June from a year earlier and 13.5 per cent in July. This is considered one of the early benefits of lower interest rates and declining construction materials prices.

However, personal consumption, the main pillar of domestic demand, has yet to start strong growth. To enhance consumer confidence which has cooled off because of unfavorable business prospects, it is necessary to lower commodity prices, and actually pass on the triple benefits to consumers through the establishment of a freer market mechanism.

Labour wins court fight over candidate

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Labour Party appeared last night to have won the battle over who should represent the party in the by-election in the Merseyside constituency of Knowsley North on November 13.

Advertisement for DELTA-NET compsoft SOFTWARE. Text: 'The only European multi-user database that simplifies networking. Call 04968 25925 for brochure. POWER WITHOUT PROGRAMMING. WORLD ECONOMIC INDICATORS every Monday - Only in the Financial Times'.

Large advertisement for Delta Airlines. Text: 'DELTA'S BUSINESS CLASS TO THE U.S.A. WIDE SEATS ARE LONG ON COMFORT. Relax in the lap of luxury. With plenty of room to stretch out and get comfortable. And a separate cabin area that provides greater privacy. Enjoy a choice of gourmet entrees and desserts. Fine wines and champagne. Enjoy luxurious Medallion Service in Business Class and First Class. Sleeper Seats are available in First Class. Delta flies nonstop from Frankfurt to Atlanta and Dallas/FtWorth. We have convenient departure times to both cities. For reservations, call your Travel Agent. Or call Delta in Frankfurt on 069 25 60 30, in Munich 12 99 061, in Stuttgart 22 62 191. Delta Ticket Offices are at Friedensstrasse 7, 6000 Frankfurt/Main, Maximilianplatz 17, Munich; Koenigstrasse 1B, Stuttgart. Schedules are subject to change without notice. DELTA. THE AIRLINE RUN BY PROFESSIONALS.'

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"To do that we have to keep ahead of the ever-changing needs of both our corporate and personal customers. I see our major investment in Barclays de Zoete Wedd as being an essential part of that philosophy."

"Throughout industry, here in the U.K. and around the world, banks corporate clients are turning to the capital markets and the ingeniously termed 'securitisation' of debt as alternatives to more conventional lines of finance. Particular expertise is needed to intermediate between issuers and investors."

"Through Barclays de Zoete Wedd, the group can now deliver skilled and widely experienced securities based services through our worldwide network."

"To take another example, our millions of personal customers will also benefit from BZ W's close links with the stock market. We will soon be introducing a fast, inexpensive share dealing service through our high street branches."

"Linked directly to BZ W this will enable the small investor to deal more easily and more economically in a large number of stocks and shares."

"These are just two specific examples of the improved service we shall be offering to ensure that Barclays stays in front. There will be considerable benefits for both customers of and investors in Barclays Bank from our involvement in Barclays de Zoete Wedd."



**MARTIN JACOBSON**

"As Chairman of Barclays de Zoete Wedd, my role is to ensure that we deliver, both to clients of the Bank and to major institutions, services that are complementary to, but different from, those of our parent."

"Distinctions are becoming increasingly blurred between different but similar intermediaries in the global securities market. And in a financial world that is also global in both its outlook and the scale of its financial needs, there is an increasing requirement for an investment banking group with equivalent human and financial resources."

"The combination in Barclays de Zoete Wedd of one of London's top stockbrokers and major market makers, an innovative merchant bank, proven investment management and the resources of the Barclays group will, in my view, meet that need."

"In fact, I believe that our alliance will very quickly prove an invaluable asset to all those clients who are already familiar with the individual parts of our organisation."

"And, of course, I believe it will also be a rewarding investment for the entire Barclays group."



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UK NEWS

Andrew Taylor and Paul Betts assess the funding blow to Eurotunnel

Investors cast tunnel gloom

ATTEMPTS TO finance the Channel Tunnel have been beset with problems almost since Eurotunnel won the concession in January to build the 31 mile-long rail tunnel between Britain and France.

On Friday the consortium was forced to admit that it was still short of the £206m target for its international share placing which is due to be completed this week.

Earlier differences over the terms of construction contracts had to be postponed and the signing of loan agreements for more than £500 delayed.

Eurotunnel shareholders and senior executives yesterday were involved in a desperate bid to rescue the placing with the prospect that the project might fail at the first hurdle.

If the placing does not succeed the loan agreements with around 40 international banks will be in jeopardy. At the root of the consortium's problem is the failure of British institutions to support the scheme in sufficient numbers.

The alarm bells started ringing on Friday lunchtime when it became clear that the consortium would not reach its British target of £70m.

The shortfall is thought to have been only around £10m, but the reluctance of British institutions to support the issue was already having repercussions in the US where institutions had been starting to get cold feet about the placing.

The £20m Eurotunnel had hoped to raise in the US may now be in doubt, with major US institutions delaying confirmation of pledges until they see how the rest of the placing fares between now and 2pm London time tomorrow. Then, according to the prospectus, the deadline for payments closes. Technical, however, the banks can go on offering the shares until Friday.

It appears that the strong line taken by a number of British merchant banks against the project has been filtering back to New York and this has made the task of Salomon Bros, which is handling the US issue even more difficult.

The guidance of merchant banks which manage funds or advise pension fund trustees has generally been that the project is too risky, and the pay back date too far ahead for them to consider it as a worthwhile investment.

More than 40 British institutions have pledged support, ranging from £500,000 to £2m. They are mostly independent funds, many insurance groups which have been prepared to take a longer term view of the tunnel and its risks.

The outcome was foreshadowed in a survey of 25 of Britain's largest institutions conducted by the Financial Times in July. This showed that only six funds, the majority of them insurance groups, were prepared to invest in the tunnel.

Investment managers at 10 funds said they would definitely not invest, and two thirds of the nine which were undecided thought it unlikely they would participate.

Reasons given for this reluctance were the high risk of the venture and the fact that first dividends would not be paid until 1993 when the tunnel is planned to open.

Funds were concerned that construction costs could overrun and traffic forecasts might not be met - particularly if cross-Channel ferry operators staged a safeguard action. If a costly financial rescue had to be launched, either by government or by the banks, equity investors could suffer badly in any reconstruction.

Some fund managers expressed concern about passenger safety and the tunnel's security against terrorist attacks. There were also fears that investment made now could be lost if a British general election intervened or if the Channel Tunnel Bill was defeated in Parliament.

These doubts have not enhanced the tunnel's credibility either at home or overseas. If British investors are doubtful, despite UK Government support for the project, why should foreign funds risk their money?

Eurotunnel, outside Britain and the US, is seeking to raise another £70m in France, around £20m in Japan, where Nomura is handling the issue, and the remaining £20m or so to be garnered from the rest of the world.

The founding French shareholders of the consortium, drawn as in Britain from mostly construction and banking groups, have been watching with dismay as the British end of the placing has, so publicly, run aground.

Bankers managing the French portion of the issue were confident yesterday that they would complete the £70m French issue. However, they said that a number of major groups had not yet confirmed pledges and some were still hesitating whether to take part in the

placement. These are understood to include the Caisse des Dépôts et Consignations, the huge French financial institution under parliamentary control, and the AGE state insurance group which is due to be privatised next year.

It would be a blow to Eurotunnel if the Caisse des Dépôts did not subscribe although the promoters expect any shortfall to be made up by other groups. The issue continues to provoke little, if any, public debate in France. The feeling in Paris is that the main obstacles remain squarely on the UK side of the Channel.

In Japan the placing is thought to be virtually complete and it would be surprising if £20m could not be raised from the rest of the world. It is in Britain where the pressure is being really felt. The Bank of England, disappointed at the lack of support, is understood to have been lobbying institutions to see if they would be willing to reconsider investing in the project. It has apparently persuaded one fund to change its mind and subscribe to the issue.

The decision to invite Sir Nigel Brookes, chairman of Trafalgar House, the construction, shipping, hotels and property group to join the Eurotunnel board as a non executive director is another sign of the consortium's recognition that it needs to breathe new life into the project.

Sir Nigel, a strong supporter of the consortium, even though it delayed a rival Trafalgar House proposal to build a road and rail link across the channel, will be expected to use his energy and enthusiasm to improve the project's rating.

Lufthansa woos business travellers

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A battle this winter between UK and European airlines for the high-fare business-class travellers on short-haul international routes is now likely to emerge, after a decision by Lufthansa, the West German airline, substantially to improve its business class service from November 1.

One immediate result is that British Airways is studying its own business class standards, and may feel obliged to improve them to meet the forthcoming competition.

The battle will not be over fares, which remain unchanged, but seat pitch - the distance between one seat and another which governs the legroom. Lufthansa is increasing it by up to 2in to 34in as standard - the best of any short-haul airline in Europe.

At the same time, Lufthansa will offer all business class travellers the right to reserve a specific seat, and it is distributing detailed seating plans of all its aircraft, so that travellers can select the best seats on a first-come, first-served basis.

This is coupled with new designs of seats to provide more comfort, and a new decor inside the passenger cabins. In addition, passengers will receive a full meal, breakfast, lunch or dinner.

Business travellers form the majority of all European passengers, especially to Northern European countries.

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Circulation of new paper is holding up

By Raymond Snoddy

THE circulation of The Independent, the new quality newspaper, appears to be holding up well as it enters its fourth week today.

Distributors believe the paper is selling around 375,000 a day but said that it may not yet have "bottomed out".

The circulation figure is ahead of the prospectus target at this stage which envisaged a sharper decline following the initial curiosity and then a long haul next year back to a financially viable figure of 375,000 copies.

Mr Douglas Long, managing director of The Independent, said yesterday he believed the paper was now selling between 350,000 and 400,000 and that there were signs last week that it had "platformed out".

The print order was now 475,000 and, apart from London, sales were going particularly well in Scotland. Nearly 10,000 copies a day are also being sold in cities such as Paris, Amsterdam, Madrid and New York.

"We have achieved in a short space of time a remarkable degree of acceptability within the ABC1 groups," Mr Long said.

Today, Britain's other new national newspaper, said its new game Scoop had boosted circulation by around 30 per cent on Saturday - its first day. Scoop is a numbers game linked to the news

State munitions group reorganised for sale

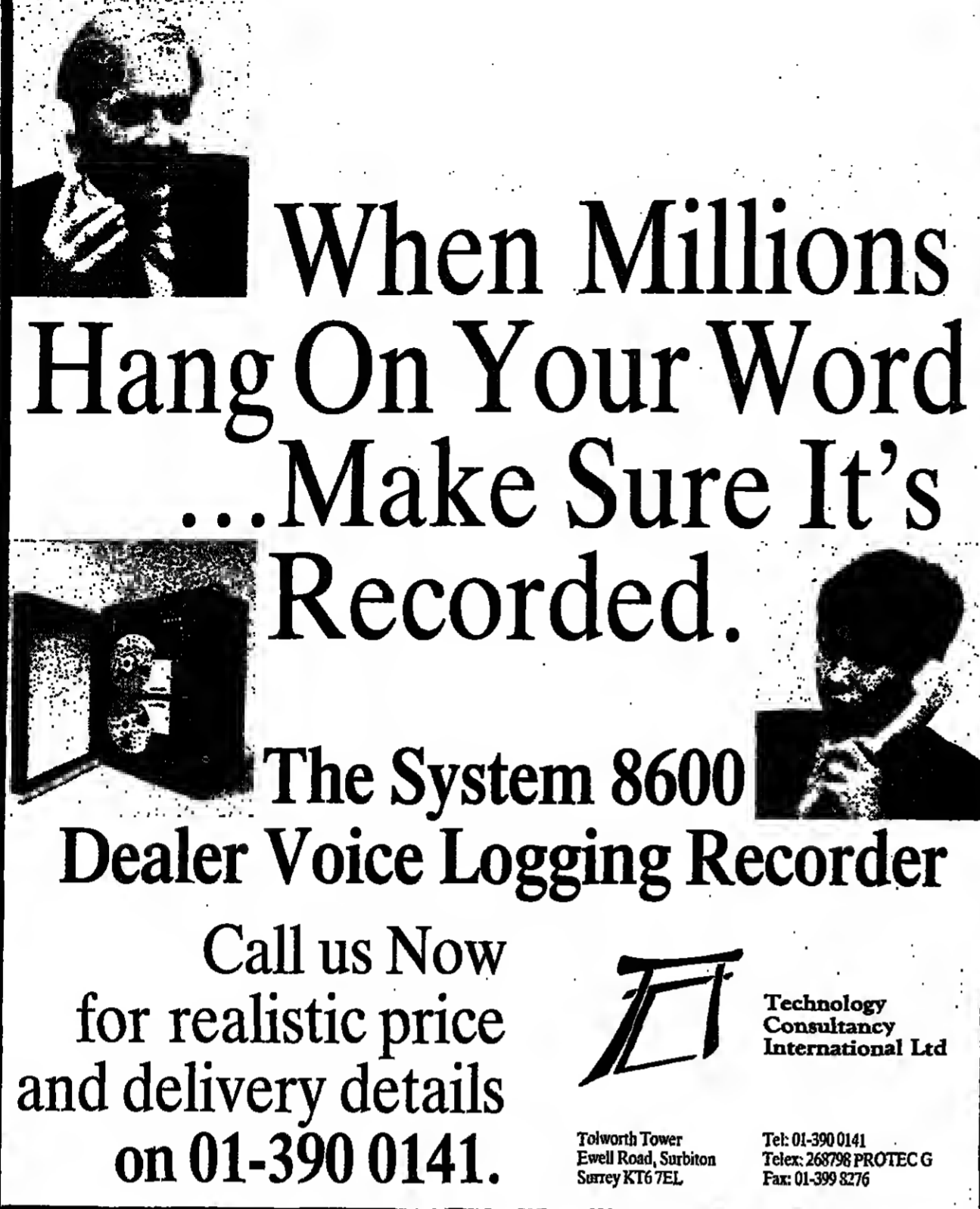
BY DAVID BUCHAN

ROYAL ORDNANCE (RO), the state-owned arms and munitions maker, is to be reorganised early next year into two, instead of the present four, operating divisions, in a rationalisation that is clearly aimed at making the business more attractive to private buyers.

Yesterday's announcement of the reorganisation follows a two-day briefing of more than 100 senior Royal Ordnance managers last week in London. The move is prompted partly by the recent sale of the RO tank-making factory at Leeds, Yorkshire, to Vickers but mainly - according to a company statement - to make RO "more firmly focused on products and their customers and able to respond to the market place worldwide."

The reorganisation involves no outside management recruitment and will apparently not affect the level of RO's 16,500 workforce. The new land weapons division will be headed by Mr Harry Butterworth, who runs the present ammunition division, and the naval, air and engineering division will be headed by Ron Goldsmith, whose existing weapons and fighting vehicles division has just lost its Leeds factory to Vickers.

Since that sale, the Government has been trying to interest private UK buyers in acquiring the rest of RO. Memoranda of sale have been distributed to various companies, but so far none seems interested in buying the whole company, only parts of it.



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**NOTICE OF REDEMPTION**  
To the Holders of  
**ENTE NAZIONALE IDROCARBURI**  
E. N. I.  
(National Hydrocarbons Authority)  
6 1/2% Sinking Fund Debentures due June 1, 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on December 1, 1986 at the principal amount thereof \$625,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

17	26	72	79	86
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Also Debentures of U.S. \$1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

636	1866	3956	5456	6756	7856	8256	9656	10756	12256	14256	16256	20756	24556
756	1756	3756	5256	6556	7656	8056	9456	10556	12556	14556	16556	21056	24856
856	3256	3856	6156	6356	7756	8756	10156	10356	12456	14456	16456	20956	24656
956	3156	3656	6256	6456	7856	8856	10256	10456	12656	14656	16656	21156	24956
1256	3356	4056	6356	7156	7956	9056	11356	14556	16556	18556	20556	24156	
1356	3256	4156	6456	7256	8056	9156	11456	14656	16656	18656	20656	24256	
1456	3456	4256	6556	7356	8156	9256	11556	14756	16756	18756	20756	24356	
1856	3556	4356	6656	7456	8256	9356	11656	14856	16856	18856	20856	24456	

On December 1, 1986, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as is legal tender for the payment thereof of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10018, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in the country of the principal office of Banca Commerciale Italiana in Milan or the main office of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Allgemeine Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourg in Luxembourg-Ville. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Debentures surrendered for redemption should have attached all unexpired coupons appurtenant thereto. Coupons due December 1, 1986 should be detached and collected in the usual manner. From and after December 1, 1986 interest shall cease to accrue on the Debentures hereto designated for redemption.

**ENTE NAZIONALE IDROCARBURI**  
By: MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, Fiscal Agent

October 28, 1986

# Winter coughs and splutters. May we recommmend an injection?

In the rear of course. (Or to be more precise, the fuel tank).

And the injection itself? Mobil Diesel Plus.

A brand new diesel fuel manufactured to cope with our not so great British winters.

You see, the cold has a singular effect on Diesel. It causes wax particles to form in the fuel. Which can lead to blocked filters, fuel starvation and thus breakdown.

This usually occurs at  $-9^{\circ}\text{C}$ . Mobil Diesel Plus however, stops both fuel lines and filters from blocking right down to  $-15^{\circ}\text{C}$ .

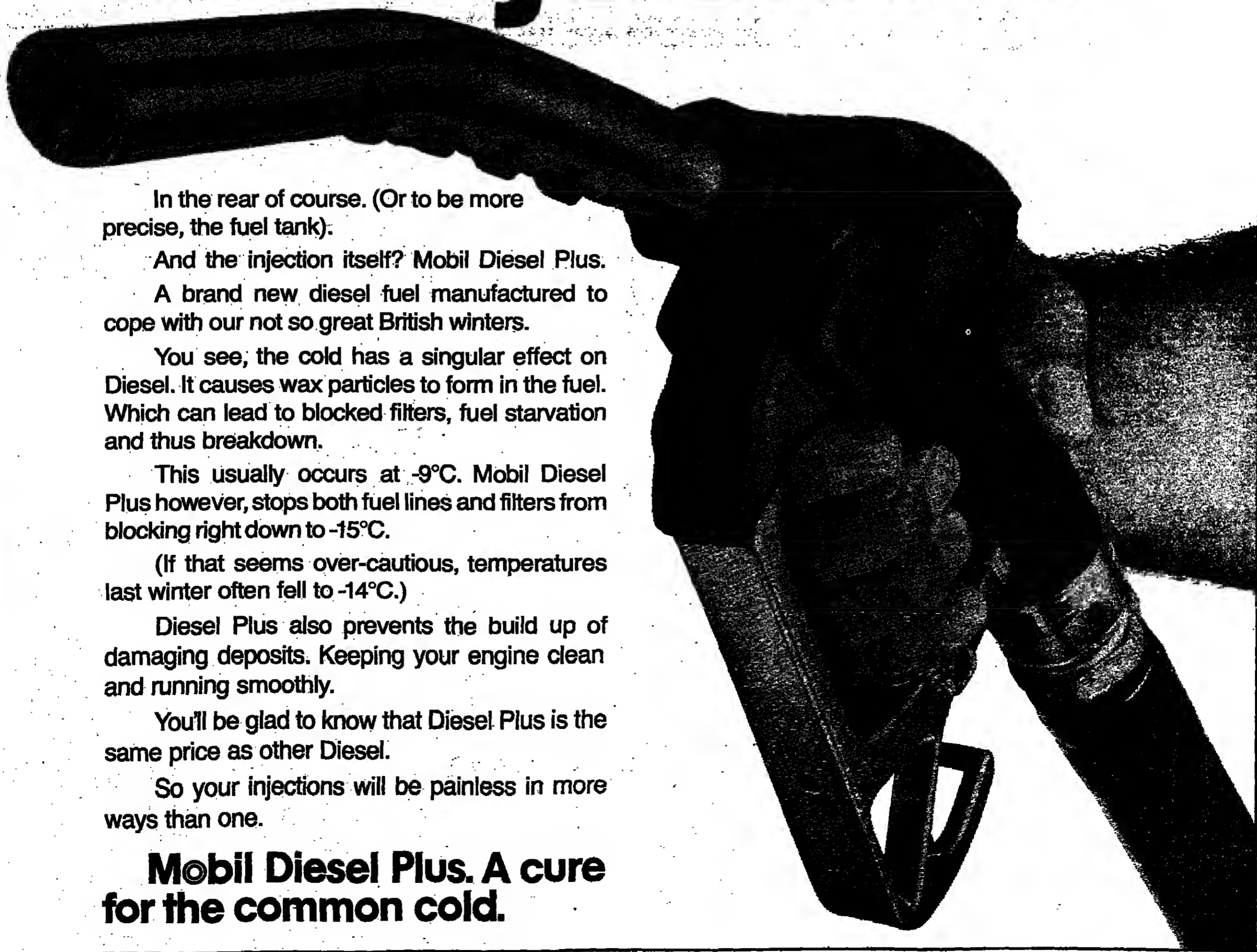
(If that seems over-cautious, temperatures last winter often fell to  $-14^{\circ}\text{C}$ .)

Diesel Plus also prevents the build up of damaging deposits. Keeping your engine clean and running smoothly.

You'll be glad to know that Diesel Plus is the same price as other Diesel.

So your injections will be painless in more ways than one.

**Mobil Diesel Plus. A cure  
for the common cold.**



# UK NEWS - THE CITY REVOLUTION

## Just a whiff of the Somme on the trading floor start lines

BY TERRY BYLAND

MONDAY morning dawned more balefully than usual for the City of London yesterday. After weeks of growing excitement, culminating in Friday's rowdy farewell to the old-style market, the Stock Exchange finally faced Big Bang day—which threatened to be the day when the cheering might have to stop, and anxious champagne bottles be returned to the wine merchants.

As the digital clocks flicked towards market opening time, the professionals peered their way over the television camera cables towards the Stock Exchange trading floor. Paradoxically, the floor was thronged with media men but exchange members were expected to wait on the sidelines until the appointed hour.

Pre-market intelligence was had. The Stock Exchange Topic System, which carries prices to Seaq, the very heart of the new electronic market, twice succumbed to overloading in the crucial hour before the market opened, when the market makers must input their price quotations.

The signal came, and on to the trading floor we went, with some of the new market makers hanging their trading counters in symbolic honour of the day.

Trading stands in many financial and equity stocks carried hurriedly scrawled chalk messages which read, "Off-floor," followed by a telephone number—implying that this stock would be traded only by telephone from the marketmakers' offices.

Trading in Government bonds appeared difficult because of the 27 marketmakers' prices appeared on the Seaq screens. But major dealing firms had no problems in transacting business.

The session continued on a confused note, with the Seaq screens still sometimes failing to deliver predicted services, and traders often reverting to time-honoured, face-to-face dealing practices.

Trading in gilt futures also showed itself in a significant reduction of the traditional throng on the trading floor.

## County Group celebrates its £30m investment

BY DAVID LASCELLES

THERE WAS novelty in the air, and balloons everywhere, as County Group's 27-storey headquarters in Drapers Gardens yesterday, which made it feel more like a fairground than the nerve centre of one of Big Bang's biggest players.

When the Stock Exchange systems went down, County Group's trading systems were still running on the old system. It was a bit like after-bours dealings on a normal day.

People have been quite sensible. There haven't been any spivs around," he believed the market showed strength because the new market-makers preferred to be long on stock until they found their feet.

Mr Tony Powers, its managing director, said: "We have had a lot of inquiries about 150 deals. I think we made money." By coincidence, NetWest also took the first step yesterday towards becoming a primary dealer in the US government bond market.

On a trading floor as quiet as an unexploded bomb, Sir Nicholas Goodison, Stock Exchange chairman, enters to preside over the Big Bang.

Mr Robert Conway, managing director of Goldman Sachs International, was at pains to play down the image of the US houses as aggressive giants invading a defenceless City of London.

When the market makers themselves seemed to be taking life calmly, Mr Rory Forrester said: "People have been quite sensible. There haven't been any spivs around." He believed the market showed strength because the new market-makers preferred to be long on stock until they found their feet.

Mr Charles Feeley, who manages the UK and European ends of the business, said: "I was not too sure at teatime whether his part of the operation had made money. But I have not seen any trading that I am jealous of by anybody else."

## Institutions make a cautious beginning

BY CLIVE WOLMAN

FOR THE first hour-and-a-half after Big Bang—the first institutional investors made no deals. Their general wariness about the new market was compounded by the breakdown of the Topic-Seaq price-information system.

They also had difficulties telephoning some brokers and market-makers, such as Kleinwort, Grievson, which had moved into new, combined offices over the weekend to take advantage of abolition of the broker-jobber distinction.

Mr Robert Conway, managing director of Goldman Sachs International, was at pains to play down the image of the US houses as aggressive giants invading a defenceless City of London.

Mr Peter Minchin, managing director of the former merchant bank, said: "We are going into it all with a humble and sensitive manner."

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## Options, futures subdued

BY ALEXANDER NICOLL

"ONE OF the last things people would be worried about today is hedging their positions," said one stockbroker explaining the somewhat subdued business seen yesterday in options and futures based on UK securities.

These derivative markets are expected to benefit importantly from Big Bang partly because market makers will want to protect themselves against the risks they take on.

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## World's press and television on hand for City's big day

BY RAYMOND SNOODY

THE BIG BANG in the City has also been a big news story. The move to electronic trading in London has found its way on to television screens all around the world.

As Sir Nicholas Goodison, chairman of the Stock Exchange, explained patiently to probing American journalists why the Topic system had crashed in the first hour of the new era, there were as many camera shutters clicking per second as electronic deals being done.

The story has been just as fascinating for television stations in Mexico and Brazil as the US networks.

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## Bank satisfied with operations on the gilt-edged market

BY DAVID LASCELLES

IF THE GILT-EDGED market is heading for a bloodbath, it has had a 24-hour reprieve. The first day of trading in the new market was relatively unexceptional.

Market participants reported that there had been steady two-way trading in stock. Although the Seaq system was down, market-makers were displaying prices through the six designated inter-dealer brokers and other means such as Reuters.

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## Confusion in the provinces

BY NICK BUNKER

CONFUSION over simple telephone numbers proved to be the worst Big Bang headache yesterday for many provincial and small London brokers.

Early in the morning, irritation and despondency had settled over them as they contemplated Stock Exchange video display screens devoid of information because of computer problems.

Mr Robert Conway, managing director of Goldman Sachs International, was at pains to play down the image of the US houses as aggressive giants invading a defenceless City of London.

## No surprises for Scottish financial community

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

ALTHOUGH they may have been a little weary, thanks to the extra tension and especially early start by yesterday's afternoon major players in the Scottish financial community were giving the impression that Big Bang had no surprises on them.

Mr Robert Conway, managing director of Goldman Sachs International, was at pains to play down the image of the US houses as aggressive giants invading a defenceless City of London.

## Small-investor services' reaction mixed

BY JOHN EDWARDS

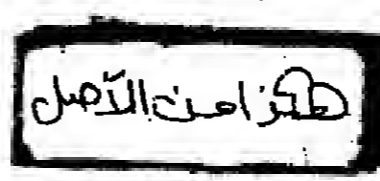
REACTION to the Big Bang was mixed reaction yesterday among banks dealing with private clients.

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## FT COMMERCIAL LAW REPORTS

### Claim untainted by German offences

**EURO-DIAM LTD v BATHURST**  
Queen's Bench Division (Commercial Court); Mr Justice Staughton; October 1 1986.

AN ENGLISH insurance contract legally made and performed in the UK is not tainted and rendered unenforceable by breaches of foreign law which did not contribute to the loss claimed unless the insured needs to plead or prove the illegality to establish his case, or the claim is so closely connected with the proceeds of crime as to offend the conscience of the court.

Mr Justice Staughton so held when giving judgment for the plaintiff insured, Euro-Diam Ltd, on its insurance claim against the representative underwriter of two Lloyd's syndicates.

HIS LORDSHIP said that Euro-Diam dealt in diamonds and supplied them to wholesalers in England and abroad.

In November 1981 Mr Bonim, an Israeli citizen who was concerned with the import of diamonds into West Germany, came to see Euro-Diam. He said he required diamonds to be sent to Germany and sold there. It was agreed that if a diamond were sold in West Germany Euro-Diam should receive its stated minimum selling price and any unsold diamonds would be returned.

Most of the diamonds were sent by registered mail to Verena, a German company which was also concerned in the transaction.

In January or February 1982 Mr Bonim came again to London and a second transaction was concluded with Euro-Diam. A list was prepared of the diamonds, the prices stated totalling \$223,416. The diamonds were dispatched by registered post to Verena. An invoice was prepared stating the price to be \$131,411. It was issued in that way at Mr Bonim's request.

Euro-Diam did not go into the reasons for the request but merely acceded to it. It must have been obvious that the purpose of the invoice was to deceive somebody. On the balance of probabilities Verena presented the invoice to the German customs authorities as evidence of the value of the diamonds, on which turnover equalisation tax would be calculated.

The transaction between Euro-Diam and Mr Bonim or Verena was one of sale or return. The most likely relationship between Mr Bonim and Verena was that of agency or joint venture. In part Mr Bonim was carrying on his own business.

On May 14 1982 it was said

a theft occurred. A box containing diamonds kept in Verena's office disappeared during working hours. There was a loss of \$142,178 which was covered by a contract of insurance in favour of Euro-Diam.

Offences had been committed in connection with the diamonds by Verena in that tax should have been paid on the true value of the diamonds; by Euro-Diam in that it made out incorrect records (but it was not subject to German jurisdiction and what it did was not done in Germany); by Mr Bonim, in that he lived and worked in Germany without a residence permit, and that he failed to report the commencement of his business to the German authorities.

The question was whether the breaches of German law afforded the insurers a defence to the claim, wholly or in part.

The insurers said it was an implied term of the insurance contract that the adventure would be carried out in a lawful manner.

The implied term was said to arise from section 41 of the Marine Insurance Act 1906: "There is an implied warranty that the adventure insured is a lawful one."

The contract was not one of marine insurance, so the act was not in terms applicable. But it was an Act to give effect to a principle which was equally applicable to non-marine insurance. The question was whether section 41 reflected the common law applicable to all classes of insurance, or was peculiar to marine insurance.

Non-marine insurance did not in general constitute an insurance on an adventure but on property, whereas marine insurance was on an adventure.

If there was no adventure in a non-marine policy the implied term suggested by the insurers made no sense. The argument was therefore rejected. Had it been accepted it was doubtful that the implied term would embrace foreign illegality as well as illegality under English law.

The next question was whether the claim was tainted with illegality. In the context of a contract and illegality "tainted" meant that while the contract itself was not illegal it had a connection with some other illegal transaction which rendered it obnoxious.

The contract of insurance was not itself illegal. Neither the making of the contract nor its performance by the payment of premiums and claims was illegal by English law. The question was therefore whether it had that degree of connection with illegal acts in Germany which would render it tainted and

therefore unenforceable here.

One could divide the question into two parts: first, if the acts concerned had been illegal by English law, would the contract of insurance have been enforceable? Second, if so, did the rules of conflict of laws justify reference to German law?

In *Geismar* [1978] QB 283 a plaintiff failed in his insurance claim in respect of stolen jewellery which he had brought undeclared into the UK, and on which he did not pay customs duty. Mr Justice Talbot said that to allow him to recover would have been "to allow him to recover the insured value of the goods which might have been confiscated at any moment, and which therefore were potentially without value to him."

In *Bowmakers v Barnett Investments* [1945] KB 65 it was said that a plaintiff failed if he had to found his claim on an illegal contract, or to plead its illegality in order to support his claim. And in *Beresford* [1987] AC 586 it was said that "a man is not to be allowed to have recourse to a court of justice to claim a benefit from his crime."

The precise degree of proximity between a plaintiff's claim and criminal behaviour necessary to bring the *Beresford* principle into force would vary with the circumstances of a particular case. A plaintiff might be said to be tainted with illegality in English law by virtue of the *Bowmaker* principle if he needed to plead or prove illegal conduct in order to establish his claim; or by virtue of the *Beresford* principle if the claim was so closely connected with the proceeds of crime as to offend the conscience of the court.

The case would not be within the *Bowmaker* principle because Euro-Diam did not need to plead, or prove, or show in the course of opening its case, any of the illegal acts which had been committed. As to the *Beresford* principle, the claim did not represent the proceeds of crime at all, directly or indirectly.

But the second stage of the inquiry was whether there was sufficient connection between the insurance claim and those activities to amount to taint. There was not. So German law was no obstacle to the success of Euro-Diam's claim.

Judgment for Euro-Diam for \$142,178.

For Euro-Diam: Jeffrey Gruber (Ince and Co).  
For Mr Bathurst: Judith Malins (Glyde and Co).

By Rachel Davies  
Barrister

case it was wrong on the first question.

In every case involving a foreign element it was necessary to consider three preliminary matters: what was the legal topic with which the case was concerned; what was the connecting factor prescribed by the rules of conflict of laws for assigning cases on that topic to a particular system of law; what system of law did the connecting factor point to in the case before the court?

In the present case the topic was enforcement of a contract associated with illegality. The connecting factor, in general terms, might be one of three as set out in Lord Justice Diplock's judgment in *Mackender* [1967] 2 QB 590, 601—forum, proper law and place of performance.

None of those connecting factors pointed to German law in the present case. The forum was English law; the proper law of the insurance contract was English; the place of performance of that contract was England.

From the authorities it was concluded that when an English claim was said to be tainted by foreign illegality, one must first inquire whether, applying the appropriate connecting factor, the transaction from which the taint was said to arise would be enforceable here. If not, one had next to decide whether there was sufficient connection between that transaction and the claim to amount to taint within the *Bowmaker* or *Beresford* principle.

If the answer to that second question was yes, the claim was unenforceable here. Applying these conclusions to the present case, an English court would not enforce a contract to deceive the German customs authorities in Germany, since Germany would be the place of performance. Nor would it enforce a contract by Mr Bonim to reside in Germany without a permit, or to carry on business there without notifying the local authority, for the same reason.

German law was therefore potentially relevant thus far. But the second stage of the inquiry was whether there was sufficient connection between the insurance claim and those activities to amount to taint. There was not. So German law was no obstacle to the success of Euro-Diam's claim.

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Barrister

## PACIFIC DUNLOP

# PACIFIC DUNLOP IS FIRST IN MANY THINGS, INCLUDING PERFORMANCE

Pacific Dunlop products are market leaders in Australia and in many parts of the world. Continued strong growth in the year ended 30 June 1986 saw Pacific Dunlop achieve four notable "firsts":

- Sales passed the A\$2 billion mark, reaching A\$2.4 billion (£1.1 billion). This is an increase of 29.8%.
- Profit after tax and interest passed the A\$100 million mark, reaching A\$110.5 million (£48.5m). This is an increase of 33.6%.
- International sales passed the half billion mark, reaching A\$544 million (£238.8m). This is an increase of 74%.

- Market capitalisation passed the A\$1 billion mark, reaching A\$1.294 billion (£568m) at 30 June 1986. This is an increase of over half a billion in one year.

#### Other highlights of the year:

- Increased final dividend, making a total for the year of 12.5 cents, and a bonus issue of one share for every ten shares held.
- Earnings per share of 27.5 cents, and return on shareholders' funds of 19.2%.
- Formation of a major new business group, International Batteries, to develop sales and manufacturing in four countries, including the United States. This will include construction of a A\$24 million (£10.5m) factory in Georgia for the revolutionary new Pulsar automotive battery.

- Expansion of flexible foam into a A\$100 million (£44m) business with moves into New Zealand and the United States.

- The signing of three joint venture manufacturing agreements in the Peoples Republic of China.

- The continuing expansion of Ansell International, world leaders in latex technology, through the addition of five new manufacturing operations in Europe, South-East Asia and North America.

- The opening of an optical fibre factory in Melbourne for the Australian market using Sumitomo technology.

Pacific Dunlop is one of Australia's largest manufacturing enterprises, and nearly one-third of its assets are now outside Australia.

Pacific Dunlop Limited  
500 Bourke Street Melbourne Vic 3000  
Australia

People, ideas, technology.

## Do you know the one about the Chinese, the Scot and the Belgians?



The Chinese was refurbishing a furniture factory. Importing a large amount of foreign equipment to be paid for in hard currency. But the factory only produced for the domestic market.

Problem. He had no exports with which to recoup the outgoing currency.

He came to Generale Bank in Beijing. They contacted the Foreign Trade Promotion Department of their Head Office in Brussels, and asked about possible customers. Belgium occupies a prominent position in the furniture market. Not surprisingly the answer came back the same week.

Enter the Scot. Her company badly needed a new supplier. It was the perfect match.

Generale Bank made the introduction, then structured and financed the deal. The Scot got her supplies and the refurbishment went ahead immediately.

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## NEW NATIONWIDE RATES FROM NOVEMBER 1<sup>ST</sup> 1986

SHARE ACCOUNTS & CASHBOOSTER		6.00% net
FLEXACCOUNTS	£1-£499	6.25% net
	£500 plus	7.75% net
BONUS/BUILDER ACCOUNTS	(£100-£499 existing accounts only)	6.25% net
	£500-£1,999	7.75% net
	£2,000-£4,999	8.00% net
	£5,000-£9,999	8.25% net
	£10,000-£24,999	8.50% net
	£25,000 plus	8.75% net
CAPITAL BONUS	£500-£9,999	8.50% net
	£10,000-£24,999	8.75% net
	£25,000 and over	9.00% net
INTERNATIONAL ACCOUNT	£1-£9,999	11.00%
	£10,000-£24,999	11.50%
	£25,000 and over	12.00%
The interest is paid gross. Available only to those not ordinarily resident in UK.		
DEPOSIT ACCOUNTS		5.75% net
OTHER INVESTMENT ACCOUNTS		
The rate of interest paid on all other investment accounts except Treasury Accounts will be increased by 0.75% from 1 November 1986.		
MORTGAGES		12.25%
The rate of interest charged on existing mortgages for owner occupier borrowers will be 12.25% from 1st November 1986. This rate has applied to new advances since 25th October 1986.		



Nationwide Building Society, New Oxford House, High Holborn, London WC1V 6PW

## UK NEWS

# Nuclear spotlight on Dounreay

BY A SPECIAL CORRESPONDENT

THE phenomenon of lengthy nuclear public inquiries has switched from Suffolk on the east coast of England and the proposed Sizewell B reactor to Thurso, the most northerly town on the British mainland.

After nearly seven months, the end is in sight to what has already become Scotland's longest planning inquiry, into proposals for a £300m plant to reprocess spent European nuclear fuel at Dounreay, nine miles from Thurso. The hearing was originally expected to last only six weeks.

The Sizewell inquiry, for which the inspector's report is expected to be delivered to the Government shortly, set a UK record of 340 days in sessions spread over 27 months. It was conducted largely in a good-humoured atmosphere but the Scottish hearing - over 80 sessions since April - has been marked by acrimony and distrust.

The battle lines are clearly drawn over joint plans by the UK Atomic Energy Authority (UKAEA), which runs the existing nuclear development establishment at Dounreay, and British Nuclear Fuels to build a reprocessing plant to recycle fuel from several European "demonstrator" fast reactors.

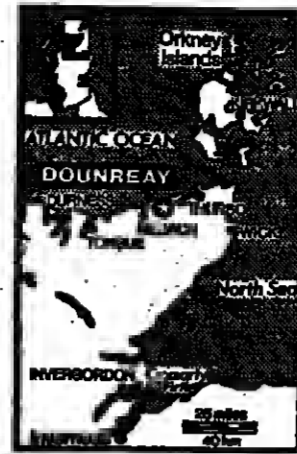
Unlike the Sizewell inquiry,

which was dominated by national issues of energy economics and reactor safety, the Dounreay debate has centred on local employment and a perceived risk to health and the environment.

Posters in Thurso town centre declare support for Dounreay from traders, unions, the community council and even seven local doctors, who see a greater threat to health from unemployment than from radioactive discharges.

Thurso is very much a company town. A UKAEA information centre gives away postcards and plastic bags. The electricity board showroom sells a pinball game on the theme of a nuclear plant. In the past quarter of a century, the authority has built 800 homes in the town and the population has grown, since the arrival of nuclear activities, from 3,300 to over 10,000.

The posters tell a different story in port towns such as Invergordon, which could be chosen to receive shipments of irradiated fuel, and in Orkney and the Shetlands. There, particularly in the islands, live the most vociferous opponents of the scheme, people who are worried about the environmental risks to their fishing, farming and tourist industries.



a permanent workforce of between 600 and 700, of whom 250 might be filled locally.

Nearly 800 letters of support for the new plant have been delivered to the inquiry, although these have been outnumbered by more than 2,000 letters of objection and petitions containing nearly 26,000 names.

The inquiry is being conducted by Mr Alexander Bell, the reporter, which is the Scottish equivalent of inspector. His remit was drawn up by the Scottish Office and confines the inquiry to local issues, other than on medical matters. The medical debate has largely surrounded the discovery of a cluster of five child leukaemia cases in the Dounreay area. The UKAEA dismisses claims that routine radioactive discharges could be responsible.

Over the next two weeks, further evidence will be heard from objectors, including a group from Norway concerned about seaborn pollution. This will be followed by the final submissions. Mr Bell expects the inquiry to end by mid-November and to report to Mr Malcolm Rifkind, the Scottish Secretary, in the spring.

The Scottish Conservation Society is already planning to challenge

the minister's decision in the courts should it be in favour of the plant. Dr Kenneth Delaney, leading the society's case to the inquiry, says the appeal would claim that the inquiry was unjust because of the imbalance between the resources of the objectors and the nuclear industry and the practical difficulties for those wishing to attend.

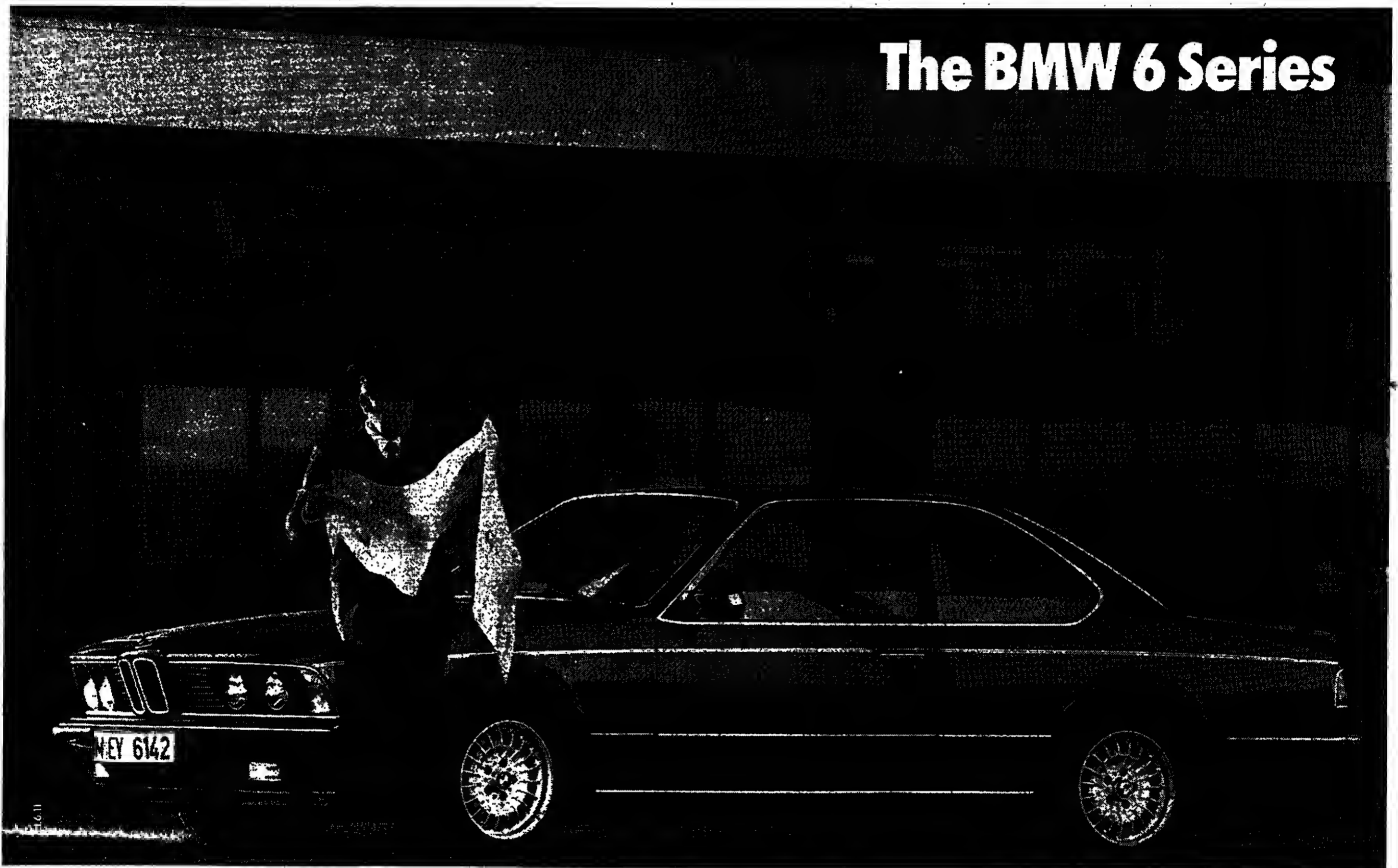
Independent objectors from Orkney and the Shetlands have had to hold fund-raising events and take time off work to challenge the evidence of the nuclear industry.

Similar bitter complaints about relative resources were made over Sizewell B, but in other respects there are stark contrasts between the styles of the two inquiries.

In Suffolk, the hearings were held in the Snape Maltings concert hall and cost an estimated £15m. At Thurso, the inquiry is held in the sombre town hall and the bill is not expected to exceed £1m, part of which will be paid by the Scottish Office.

Sir Frank Leyfield, the Sizewell inspector, ruled over that inquiry with a rod of iron. At Thurso, the procedure is much less formal and Mr Bell has been involved in exchanges including one rumour in which he told Mr Robin Barratt, QC, for the applicants, to "be quiet."

## The BMW 6 Series



# Wrong.

No doubt the real enthusiasts amongst you spotted our deliberate error straight away. No, it's not the missing rear doors or the chauffeur's newspaper. It's the chauffeur himself who is completely out of place. But perhaps a few of you, who've managed to resist the temptation of ever owning a BMW coupé, may need a little further explanation. Imagine the

coupé in the photograph belonged to you. Would you then see any earthly reason for allowing anyone else to sit behind its wheel? After all, what's the point of owning a gas pedal that has 286 hp under the bonnet and then giving someone else the pleasure of putting his foot down?

And how much personal enjoyment do you think you would get from

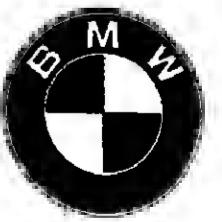
a suspension, whose fly-paper-like handling on winding country roads prompts some strange minds to think of a special tax on such pleasures, if you yourself weren't holding the leather-clad wheel?

Although even we must admit that we have heard tell of some people who've bought a BMW coupé purely for its classic look, and only then have been happily surprised to discover that unparalleled dynamism was also included in the price.

But we find it hard to believe you're one of those motorists who regard ABS anti-lock braking as a piece of electronic chicanery. Surely you're a committed driver

who appreciates that it's an essential element of the matter-of-fact safety of a car in this class. And you also realise that, even though a 6 Series BMW can be a source of pleasure for its passengers as well, its true attractions are only ever really experienced by its driver.

That's something that the gentleman in the peaked cap was obviously aware of. When he climbed out of his limousine to lean just once on the car he'd like to drive, as opposed to the car he has to drive.



**The ultimate driving machine**



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thing the  
world can  
agree on.

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**BRITISH AIRWAYS**

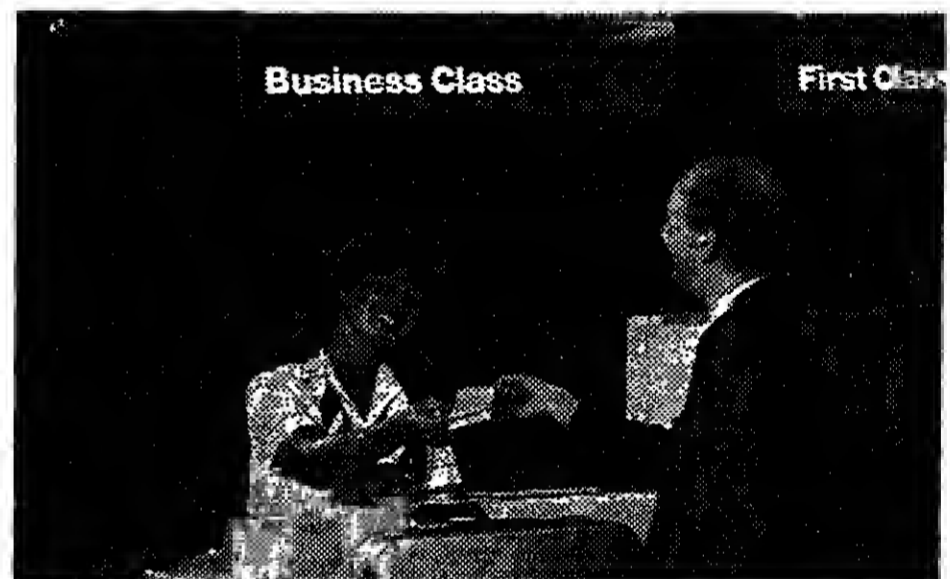
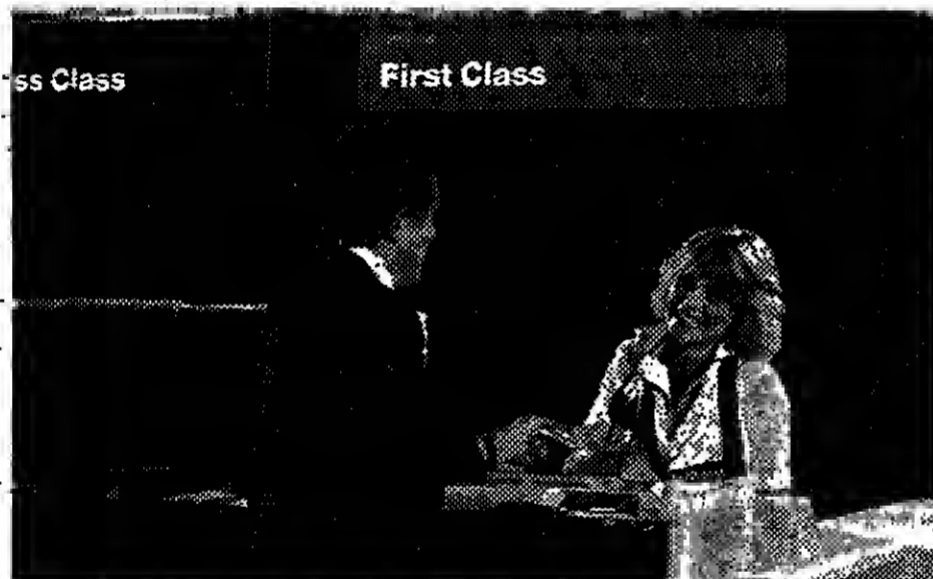
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**Lufthansa**



Letters to the Editor

The most important reason for house price rises

From Mr A. Coles.  
Sir, — It is difficult to comment on the econometric model underlying John Muellbauer's article (How house prices fuel wage rises, October 25) without studying it in detail. Nevertheless, there are a number of points made which should be challenged.  
Mr Muellbauer ignores the fact that owner-occupiers move house relatively infrequently. On average, an owner-occupier with a mortgage moves once every six years, while the average outright owner lives in the same house for 24 years. It is stretching the point a little to suggest that changes in house prices in the intervening years have an appreciable impact on wage demands, and moreover, a greater impact on wages than changes in the prices of goods that are purchased every week or month.  
Mr Muellbauer suggests that "there can be no doubt of the

central role in house price inflation of mortgage interest rate relief." Can I now a few words of doubt? It is much more likely that tax relief affects the level of house prices rather than their rate of increase. The withdrawal of tax relief would probably result in a one-off downward movement in prices, but thereafter inflation would continue at broadly the same rate as if tax relief had remained. Also, the current £50,000 tax relief limit is probably acting as a deflationary factor on London house prices, given that the average mortgage advance in this area is currently £30,000. At the margin therefore, borrowing for house purchase in London costs 11 per cent (soon to rise to over 12 per cent) compared to 8 per cent in other regions. That house prices in London should continue to rise so rapidly in recent years suggests that other factors, such as rising incomes,

lack of building land and relatively low unemployment are more important in explaining house price inflation than the existence of tax relief.  
More generally, it is not the case that the "single most important reason for recent rapid house price increases" has been the disappearance of mortgage rationing in 1981. If this is the case, why did house prices rise by only 24 per cent in 1982, a year of rapid increase in mortgage lending? The most likely explanation is that real incomes fell sharply in 1981 and remained unchanged in 1982. In comparison, real incomes were over 24 per cent higher in the first half of 1986 than in the comparable period of 1982, the most rapid increase since 1972-73 and 1978-79 suggests that the growth of real incomes is the "single most important" factor affecting house prices.  
Mr Muellbauer looks at the winners and losers following the removal of tax relief and suggests that "incautious lenders to the housing market" would be the worst affected. What is cautious lending under the current arrangements would be incautious under a situation with no tax relief and many responsible lenders may find themselves carrying losses if tax relief was withdrawn rapidly.  
Mr Muellbauer may also spare a thought for existing borrowers who would not only suffer "paper capital losses" but would also face increases in monthly interest payments of around 40 per cent after signing long term contracts based on promises that the existing arrangements would be maintained. Any suggestion that this would force wage inflation down seems hopeful to say the least.  
A. M. Coles  
(Under Secretary),  
Building Societies Association,  
3 Savile Row, W1

Michael Prowse on the importance of the cost of capital  
The key to competitiveness

Real cost of capital comparisons

	% Japan	% UK	% W. Germany	% US <sup>(1)</sup>	% US <sup>(2)</sup>	% US <sup>(3)</sup>
Cost of capital	2.76	3.58	4.39	5.48	7.16	5.00
Post-tax return to saver	1.90	1.28	0.70	2.24	3.05	5.00
Cost of equity capital	4.22	3.81	5.48	7.03	8.61	5.00
Post-tax equity return	1.71	1.33	0.60	1.69	2.89	5.00
Real interest rate	2.50	3.50	3.50	5.00	5.00	5.00

(1) present regime, (2) with Reagan tax reform, (3) with expenditure tax.  
At average interest and inflation rates for the 1980s, using 1985 tax codes. Source: Douglas Bernheim and John Shoven.

Debt crisis management

From Dr S. Griffith-Jones.  
Sir, — I was greatly impressed by the article on Mexican debt by C. E. Schmitter, R. M. Lorenz and J. C. Canada (October 22). Perhaps its most valuable feature was that people representing different long-term interests in the future both of Mexico and of banks have together presented a non-orthodox solution, which would seem to benefit all parties.  
There seems an unfortunate gap between imaginative solutions, many of them presented by industrial people, and the day-to-day debt crisis management, which is clearly insufficient for coping with the magnitude of the crisis of debt and development of Third World countries. Perhaps the authors could suggest a mechanism or a forum through which innovative ideas such as their own could be incorporated into the specific deal struck between debtor governments, creditor banks and the IMF. Recent innovations in the Mexican deal with the IMF already incorporate new loans to further falls in the oil price and/or to declines in Mexican economic



The consulting process

From the Chairman and Managing Director, Milliken Industrial.  
Sir, — In your article on the Confederation of British Industry (October 22), chides member companies for not showing disagreement in public and, by implication, thus not making the CBI more effective.  
Those organisations with a tradition of airing their internal differences publicly usually reap the reward of being asked constantly, by the media, if their latest row has affected their unity. This the CBI avoids, but that does not mean that member companies always agree on everything. Fortunately, through its consultative procedures involving members' meetings, regional councils, standing committees and the national council, members are given every opportunity of expressing their views; and wide divergences of opinion are by no means unknown. Fortunately, the consulting process does work effectively, so that by the time a CBI policy is made public it has the support of the

vast majority of members, in an organisation covering a very wide spectrum of activities across the range of industry and commerce.  
This method of distilling the collective views of member companies into a coherent policy is of course less exciting for the media than public rows would be; our annual conference will never compete with certain others in this respect. There are plenty of disagreements within the CBI, but they are resolved in private rather than in public. That this system works, and is preferred by member companies, is best shown by the fact that companies retain their membership, and their active involvement in the CBI. Most members would, I believe, not wish to see the CBI become either more vocal or less cohesive; by speaking with one voice, we believe we can best make ourselves heard by those we seek to influence.  
C. F. Jeanes,  
Wellington Mill,  
Wellington Street,  
Bury, Lancs.

The Pittsburgh experience

From Mr. S. Cord.  
Sir, — I found Nick Garnett's article on Pittsburgh's recent economic renaissance (Oct 7), to be highly informative because I have done extensive research on it over the years.  
Pittsburgh taxes buildings less than land in order to encourage new construction and re-employment. For instance, it taxes land at 15.15 per cent and buildings at only 2.7 per cent. A tax on buildings makes new construction more expensive while a tax on land can only encourage owners to use their sites more efficiently (ie, to develop them).  
The facts seem to support the theoretical expectations. In the years 1980-1984, when Pittsburgh was expanding, the difference between its land tax rate and building tax rate, its new construction, as measured by its building permits issued, was 5.9 times higher than in the area-change year of 1974-1978. For the entire United States, 1980-1984 building permits were only 1.6 times greater than for 1974-78. Pittsburgh did better than the nation, much better—almost four times better.  
So it would seem that British cities could also encourage new construction and re-employment by rating land only at its capital value, thereby excluding buildings from local rates without reducing local revenues.  
Steven Cord,  
Center for the Study of Economics,  
2000 Century Plaza (233),  
Columbia MD 21044, US.

From Mr T. Whittle.  
Sir, — Edgely Buck (October 21) may have a point about value added profits on sale of building land, but this has no relevance to the provision of and payment for local authority services.  
These services are no longer confined—as originally instituted—to house occupation (water, sewerage, refuse collection, street maintenance) but cover a very wide range of social services which benefit equally every single resident.  
To finance local authorities, rates are not levied on individual living alone often has to pay the same as a whole family of up to five adult earners.  
In Scotland only 28 per cent of electors pay full rates (about 12 per cent in massive Strathclyde region), 34 per cent in England and very low in some cities. All electors can vote for council spending but only a small minority actually pay. Can this possibly be a fair or right? Every citizen pays some national taxation—a child on its first toys or sweets.  
The Government is to be congratulated on grasping the very real need to settle, despite the possible loss of votes from the many "losers". At last an anachronism removed and taxation with representation restored to local democracy.  
Thomas E. Whittle,  
19 Kildoon Drive,  
Maybole, Ayrshire.

Power for the future

From Mr P. Watts.  
Sir, — Mr Wilson (October 20) may rest assured that the proposed Sizewell B, if approved, will be built to the highest safety standards—probably to standards higher than anywhere else in the world and certainly to standards that at least equal those set for the magnox nuclear stations.  
The Central Electricity Generating Board will indeed, as he suggests, continue to run the magnox stations so long as it is safe and economic to do so, but for new capacity the Sizewell B pressurised water reactor is vastly superior.  
All the other options mentioned by Mr Wilson—conservation, alternative sources of energy, combined heat and power—are options which the

CEGB counts on being developed to take up some of the growth in electricity demand in the first quarter of the next century. But they are not an immediately available alternative. The need for new generating plant in the mid 1990s.  
Incidentally Mr Wilson expresses support for Sir Christopher Cockfield's views on the safety of nuclear stations (October 8) but should be advised that the CEGB's criterion for Sizewell B is that the risk of a serious release of radioactivity from it (and that includes incidents less severe than at Chernobyl) is not Sir Christopher's figure of once in 10,000 years but once in a million years.  
P. E. Watts (Economic Adviser), CEGB,  
15 Newgate Street, ECL

Revenue from motor taxation

From Mr R. Diment.  
Sir, — I would not take issue with most of your editorial "Cost and quality in British Road" (October 23), but your accusation that the Government falls to charge motorists for the cost of trunk roads and motorways is simply untrue.  
The government forecast of motorway taxation revenue (from cars, light vans and

taxi) to cost ratios for 1986-87 is for taxation to exceed costs by 3.7 times. Even if all road vehicles are included taxation is still 2.8 times greater than costs.  
It all means have a debate on the important issues of transport but please get the facts right.  
Richard Diment,  
Inland Road Federation,  
6 Portugal Street, WC2.

Up the creek without hope

From Mr T. Hill.  
Sir, — In connection with the advertisement in the Pacific Rim survey (October 20) I feel that Magellan would have been unimpressed by BHP's exploration expertise.  
When he set out on his voyage he may not have known exactly where he was going, but he knew enough to be aware that he had pointed his ships

The contribution of the City to economic life

From Mr A. Pearce MEP.  
Sir, — "Big Bang" is bringing fresh competition to parts of the City where this is much needed. It provokes, however, considerable thought about the contribution of the City to the country's economic life.  
City men are amongst the highest paid people in Britain and they and the areas of south east England which they inhabit will make even more money from the new developments in the City. There will, however, be many people elsewhere in the country concerned that it is the behaviour and the structure of the City which is responsible for the industrial decline of the country, especially in the provinces.  
The too frequent lack of investment, poor management, old-fashioned ways and inadequate commercial thrust in in-

dustry today must be blamed upon the owners of firms. Those owners are, in effect, in large measure, City institutions. Whereas in more successful foreign countries owners of business invest long-term, look for asset growth and insist on efficient management. City people here appear to trade in the ownership of industry like a form of gambling.  
Hence the current lack of interest in Britain in research, training, development of export markets and modernisation of factories, which all require long-term commitment. Therefore financiers, mostly in south east England, grow rich while manufacturing industry, especially in the provinces, remains well below its potential.  
People in the London area should not think that Conservative nationwide support this

kind of Bingo-capitalism. For nationwide prosperity Conservatives in the provinces want a fresh commitment to industry by its owners, in the City. Can the City meet this challenge?  
Andrew Pearce,  
30 Grange Road, West Kirby, Wirral.  
From Mr B. Cooke.  
Sir, — The TUC is right to call for a "major assessment" of the role of the City in financing British industry (October 21), but the fundamental reason why this is necessary was only briefly alluded to in the article.  
The fundamental reason lies in the differences in the definition of success within a major private company and the City. Success for a major private company, essentially being competition, can only be a long-term activity. Success in the City, essentially making money, can only be a short-term activity. When these two worlds mix, as they inevitably must due to the priority given by private companies to maximising shareholders' returns, the needs of the two parties (one short-term and the other long-term) are in fundamental conflict.  
This conflict-based system of financing private industry would be harmful for any country; it is particularly harmful for Britain now because the amount of City-type financing per unit of GDP is particularly high in comparison to the US and all other major international trading countries.  
B. H. Cooke,  
Flat 1, Wakeham House,  
Wakeham Road, NW10.

is to realise your company's potential. To achieve this you must maximise profits, utilise all assets to the full, and anticipate any rewarding opportunities that might arise. It is a huge strategic task which may only be executed successfully with the help of some outside input.

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Japan sets terms for Gorbachev visit

THE Japanese Government is demanding that the Soviet Union agree to give back the seven occupied islands north of Hokkaido as a virtual precondition for the proposed visit to Japan of Mr Mikhail Gorbachev, the Soviet leader.

Ian Rodger in Tokyo reports on Japan's claim for the return of seven islands occupied by the Soviet Union at the end of the Second World War and the influence the dispute will have on bilateral relations.



January, and Mr Gorbachev confirmed in his Vladivostok speech in July that it was on the agenda. Last month, Mr Edward Shevardnadze, the Soviet Foreign Minister, told his Japanese counterpart at the UN that Mr Gorbachev wanted to come but the visit could not take place this year. Nor could a specific date be given.

Brookes to join Eurotunnel board

SIR Nigel Brookes, chairman of Trafalgar House, the UK construction, hotels, property and shipping group, has been asked to join the board of Eurotunnel, the Anglo-French channel tunnel consortium which is struggling to raise £206m (\$295m) in an international share placing.

Brussels seeks ruling on Tokyo liquor tax

THE EEC is to seek an urgent ruling under the General Agreement on Tariffs and Trade (GATT) on alleged unfair Japanese taxation of imported wines and spirits, in a test case intended as part of a deliberate escalation of European trade pressure on Japan.

whisky and brandy - could not be questioned, and European charges of discrimination were well founded, he said.

The Commission is expected to launch the complaint today or tomorrow and ask for an urgent ruling from the GATT panel within three months.

The Commission is expected to launch the complaint today or tomorrow and ask for an urgent ruling from the GATT panel within three months.

Fiat pressed for more details of bid for Alfa

FINMECCANICA, the Italian state-holding group which controls Alfa Romeo, last night pressed the Fiat group for more precise information on its proposed takeover bid for the smaller car company.

Sale saves Occidental from slide into red

OCCIDENTAL PETROLEUM, the Los Angeles-based oil group headed by Dr Armand Hammer, has been kept out of the red at the net level in the third quarter by a \$106m gain on the sale of the group's 20 per cent holding in Southland, a chain store operator.

Texas Air profits record

TEXAS AIR, which last week was given final approval by the US Transportation Department for its takeover of the troubled People Express, has reported its largest quarterly profit since its formation in 1980.

Poor region funds agreed

The projects were put forward under another set of recently introduced rules that increase the European Commission's power to put forward special programmes outside the fixed spending which constitutes the bulk of the regional fund.

World Weather

Table with columns for location, temperature, and weather conditions.

Big Bang crash as systems overload

New Court, one of the few market-making firms to prefer the floor to the telephone, benefited from a rush of business.

World Weather

Table with columns for location, temperature, and weather conditions.

World Weather

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World Weather

Table with columns for location, temperature, and weather conditions.

THE LEX COLUMN

Seaq and ye shall not find

The first day of the new order could have been more disorderly, all things considered, than it was. Troubles with computers and screens were foreseen, at least by Smith Brothers - the one market maker of size to make a stand on the market floor, first thing in the morning.

Panel

If the Takeover Panel wanted to buy a stake in the future regulation of bids and deals, it had an alternative but to come down hard on Hill Samuel, Cazenove, Midland Bank and - alas - AE.

Daimler-Benz

Third-quarter statements from Daimler-Benz are not the most revealing of documents, but the dry catalogue of production and sales figures does tell a tale, if not a very surprising one.

BBA

A share price based on doing miscellaneous things with the cast-offs of other conglomerates (including the redoubtable BTR) is a fragile thing.

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Alexanders Discount p.l.c. advertisement with logo and text: "Alexander would cash my bill down on the counter, Sir." and "and we still will."



SECTION II - COMPANIES AND MARKETS  
FINANCIAL TIMES

Tuesday October 28 1986



Union Carbide in black after \$252m gain from disposals

BY DAVID BLACKWELL IN NEW YORK  
UNION CARBIDE, the US chemical group which has been undergoing a major restructuring in the wake of the 1984 Bhopal disaster in India when at least 2,000 people died, returned to the black at the net level in the third quarter, reflecting a \$252m gain from disposals.

Record three-month income for Textron

BY DAVID OWEN IN NEW YORK  
TEXTRON, the Providence-based aerospace, commercial products and services company, announced record third-quarter income from continuing operations of \$85.2m, or \$1.58 a share, up 60 per cent from \$40.7m, or \$1.12 per share, a year earlier.

Kaiser agrees to sell property

BY OUR NEW YORK STAFF  
KAISER ALUMINUM, the third biggest US aluminium producer which sharply reduced its third-quarter loss earlier this month, has agreed to sell a subsidiary holding property worth more than \$450m.

Peter Bruce in Bonn examines the dramatic effect of the Neue Heimat scandal  
German unions march towards the bourse

WEST GERMANY'S trade unions, spurred on by the managerial and commercial disasters that forced them to sell Western Europe's biggest property group, Neue Heimat, for a nominal DM 1 (90.50) last month, are preparing to make more dramatic cuts in their business involvement.

Neue Heimat has been sold, the BGAG is committed to making funds available to it beyond the turn of the century. Second, management in the BG and the Volksfürsorge have become angry and disillusioned at their association with Neue Heimat and, at the same time, enthusiastic about the new dynamism in West German capital markets since the Government of Chancellor Helmut Kohl came to power in 1983.

Daimler turnover boosted by AEG

BY OUR FINANCIAL STAFF  
DAIMLER-BENZ, the big West German industrial group best known for its range of high-quality cars, yesterday confirmed that sales for 1986 would rise strongly.

Cominco cuts losses in quarter

BY BERNARD SIMON IN TORONTO  
COMINCO, the Vancouver-based metals and fertilizer producer recently taken over by a consortium of Canadian, West German and Australian mining companies, reduced losses to C\$14.8m (US\$10.72m), equal to 27 cents a share, in the three months to Sept 30, from C\$24.4m or 49 cents a share a year earlier.

Barclays SA assets decline by year-end

BY JIM JONES IN JOHANNESBURG  
BARCLAYS NATIONAL BANK, South Africa's largest banking group, showed a contraction in its overall size in its latest three months.

Steyr expects to fall further into the red

BY PATRICK BLUM IN VIENNA  
STEYR-DAIMLER-FUCHS, Austria's troubled vehicles and weapons group, is likely to see its losses this year exceed the Sch 618m (\$44m) recorded in 1985.

Mitsubishi buys into US group

BY IAN RODGER IN TOKYO  
MITSUBISHI Heavy Industries (MHI) of Japan has purchased a 20 per cent stake in Beloit, the US papermaking machinery group, for \$90m.

Skandinaviska Enskilda Banken  
DKK 300,000,000  
10 1/4 per cent. Capital Notes due 24th October, 1991  
List of banks: Banque Bruxelles Lambert S.A., Banque Générale du Luxembourg S.A., etc.

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Enskilda Securities, Chase Investment Bank

INTERNATIONAL COMPANIES and FINANCE

# Losses sharply up at Moulinex

BY PAUL BETTS IN PARIS

MOULINEX, the French kitchen equipment manufacturer, has reported a sharply higher loss of FF 199.8m (\$30m) in the first half of this year compared with a loss of FF 17.1m in the same period last year.

The higher first-half loss confirms financial forecasts of a substantial deficit. However, the first half losses reflect major provisions and other special elements totalling FF 241.8m and related to the group's restructuring and recovery programme.

In the same period last year, Moulinex's results included special gains of FF 20m.

Without the special one-time loss factor, the company's operating performance has improved with the company reporting an operating profit of FF 62.2m for the first half compared with operating earnings of FF 7.1m in the first six months of last year.

Moulinex sales declined by 2.5 per cent in the first six months to FF 1.57bn from FF 1.62bn during the same period last year. However, the company said sales were picking up.

For the first nine months of this year they totalled FF 2.23bn or 1.42 per cent lower than the FF 2.37bn sales for the first nine months last year.

# Capital gains boost earnings of troubled Swedish conglomerate

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NORDSTJERNAN, the troubled Swedish conglomerate with interests in shipping, steel, construction, retailing and engineering, has staged a modest recovery in the first eight months of the year increasing profits (after financial items) to SKr 172m (\$24.7m) from SKr 28m in the corresponding period of last year.

Earnings have been boosted by capital gains of SKr 88m on the sale of ships and property which are included as operating income.

Profits before tax and allocations jumped to SKr 284m from SKr 5m in the first eight months of 1985 helped by net extraordinary gains of SKr 112m from the disposal of operations chiefly in the engineering division.

Nordstjernan, Sweden's 12th largest corporation and the largest still in private ownership, has suffered from poor profitability for more than a decade. In 1984 it slumped to a pre-tax loss of SKr 487m and just managed to break even last year with a pre-tax profit of SKr 11m on sales of SKr 17.6bn.

Group turnover in the first eight months of 1986 totalled SKr 9.8bn compared with SKr 11.6bn a year earlier. Some SKr 1.52bn of the reduction is accounted for by the disposal of operations during the year. On a comparable basis turnover fell by 3 per cent.

In an attempt to restore profitability, Nordstjernan is undergoing a far-reaching restructuring, which has already involved the sale of

around 50 operating units with total sales of some SKr 4.4bn and a workforce of 4,800.

Improvements in operating income this year have chiefly come from the shipping and special steel divisions, while the engineering division ran up a loss (after financial items) of SKr 45m compared with a profit of SKr 43m a year earlier, and the retailing operations suffered a loss of SKr 21m.

Nordstjernan has been owned by Sweden's Johnson family for nearly 100 years, but earlier this month it was announced that the owners had taken the first steps towards launching the group on the stock market, at the beginning of the 1990s in an attempt to broaden the company's capital base.

This announcement appears as a matter of record only. October 1986

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## Glass interests to merge

By William Dawkins in Brussels

GLAVERBEL, the largest maker of flat glass in the Benelux countries, has formed a joint venture with Societa Italiana Vetro (SIV), the Italian state-owned glass producer.

The pair are to merge their automotive glass and mirror manufacturing interests in a deal worth BFr 815m (\$217m). SIV is paying BFr 645m to Glaverbel for 45.9 per cent of the shares in the Brussels-based company's Splintex automotive glass operation, while Glaverbel is paying the Italian group BFr 86m for a 45.9 per cent stake in its Ived mirror making subsidiary.

Splintex and Ived are to be controlled by a holding company 80 per cent owned by Glaverbel and 10 per cent owned by SIV, although the Italian partner will have three out of the five board seats. Glaverbel, which also makes glass for the construction industry, has recently seen its Splintex division break even after years of making losses.

A spokesman explained that the joint venture with SIV, which holds 28 per cent of the automotive glass market, making it the second largest producer after St Gobain of France, would give the Belgian company access to the economies of scale needed to restore Splintex to full profitability.

## Rejna of Italy plans purchase

By Our Milan Correspondent

REJNA, the Italian shock absorber manufacturer which was acquired three months ago by Mr Carlo De Benedetti's Sofefi car components holding group, yesterday announced plans to acquire two shock absorber companies in France and Belgium.

It also said it plans to raise L11bn (\$29m) through a rights issue to cut its debt.

Rejna officials said the acquisition of Amsa in Belgium and Ressort Industrie in France would create Europe's largest single producer of shock absorbers for cars and trucks in turnover terms.

Rejna last year had L83bn of turnover and is predicting 1986 revenues of L130bn. Amsa has L40bn of annual turnover, while Ressort, which is presently controlled by France's Valeo car components group, also part of the De Benedetti stable, has sales equivalent to L100bn.

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these Certificates.

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Dealers

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October, 1986

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In accordance with the provisions of the Notes, notice is hereby given, that from October 28, 1986 to January 20, 1987 the Notes will carry an interest rate of 8 1/4% per annum. The interest payable on the relevant interest payment date January 20, 1987 against Coupon No. 9 will be U.S.\$167.71 and U.S.\$4,192.71 respectively for Notes in denominations of U.S.\$10,000 and U.S.\$250,000. The sum of U.S.\$167.71 will be payable on U.S.\$10,000 principle amount of Registered Notes.

October 28, 1986  
By: The Citibank Trust Co., N.A., London, Agent Bank.

**Wells Fargo & Company**  
**£60,000,000**

Floating Rate Subordinated Notes due January 1994

In accordance with the provisions of the Notes, notice is hereby given that for the interest period 27th October, 1986 to 26th January, 1987 the Notes will carry an Interest Rate of 11 1/8% per annum.

Interest payable on the relevant interest payment date 26th January, 1987 will amount to £142.58 per £5,000 Note.

Agent Bank:  
Morgan Guaranty Trust Company of New York  
London

NEW ISSUE

The securities referred to below have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to United States persons as part of the distribution. This announcement appears as a matter of record only.

## National Australia Bank Limited

(Incorporated with limited liability in the State of Victoria, Australia)

**U.S. \$250,000,000**  
Undated Subordinated Floating Rate Notes

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Irving Trust International Limited  
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Lloyds Merchant Bank Limited  
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S. G. Warburg Securities

October 1986

All of these securities having been sold, this announcement appears solely for purposes of information.

NEW ISSUE

October 9, 1986

**\$70,000,000**



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INTERNATIONAL COMPANIES and FINANCE

HONG KONG STOCKS AT RECORD HIGH

Henderson Land doubles earnings

BY DAVID DODWELL IN HONG KONG

HENDERSON LAND, a prominent Hong Kong property development group, yesterday reported net profits for the year ended June 30 of HK\$301m (US\$38.6m) — a 98 per cent improvement on profits last year of HK\$152.2m and a clear signal of resurgence in the property sector after the 1982 market crash.

The improved figures coincided with — but came too late to add impetus to — a rally to record high levels on the Hong Kong stock market. Substantial overseas buying pushed the Hang Seng index to 2,343.66 for a gain of almost 88 points on the day.

Stock market turnover amounted to HK\$1.17bn. For stock

brokers who regard Hong Kong as a minor or peripheral market, it is worth noting that at this level, turnover was one tenth of that on the Tokyo Stock Exchange, and significantly higher than on most European stock exchanges.

The latest stock market rally followed September trade figures which showed export growth of 23 per cent, and first signs of a surge in China's exports through Hong Kong — reflected in a 34 per cent leap in re-exports. Economists in the territory are now revising 1986 growth forecasts upwards to a range between 6 and 7 per cent.

Impetus to the stock market might equally have come from Henderson Land's strong profits

performance. Turnover for the year rose from a restated HK\$369.5m in 1984-85, to HK\$1.1bn in the year just ended. A final dividend of 8 cents per share made a total of 13 cents for the year, an 80 per cent increase on last year's 7 cents.

Henderson said the improvement came mainly from widening profit margins as development properties acquired in 1984 and early 1985, when property prices were still strongly depressed, were now being sold on to a more buoyant market. A total of 12 projects were completed during the second half of the year.

In contrast to Henderson's buoyant results, Kise and Ettek,

an electronics group which when floated in early 1984 was the darling of the stock market, reported operating losses of HK\$78.6m in the year to June 30. After extraordinary losses, the loss was HK\$119.5m.

The group asked for a one-day suspension in trading in its shares while the market absorbed news of its losses — which come on top of total losses in 1984-85 of HK\$133.5m.

Elec and Ettek's shares were suspended at Friday's closing price of 24 cents — twice the expected placement price of 12 cents for the reconstruction, but almost one-tenth of the HK\$2 share price at which the company was floated almost three years ago.

Deal over tax ends Bombay SE crisis

BY R. C. MURTHY IN BOMBAY

THE CRISIS on the Bombay Stock Exchange, India's largest, appeared yesterday to have blown over after raids by income tax authorities, codenamed Operation Comet, last week prompted brokers to suspend dealings.

Normal trading will resume on the exchange today after five days, and making-up prices will be fixed for the fortnightly settlement of October 24, which was not completed because of the stalemate.

Brokers, satisfied with the terms of settlement between an exchange delegation and tax officials in Bombay, resumed normal working yesterday and settled obligations under the previous fortnightly settlement of October 10.

Mr V. P. Singh, the Indian Finance Minister, asked the tax authorities on Sunday to release the records needed for completing the settlement and

facilitate the resumption of trading.

The Government has been concerned over the prolonged closure of India's main stock exchange and its adverse impact on the confidence of investors. Many companies have been having second thoughts on entering the market to raise equity and debenture capital at this juncture.

According to the terms of the agreement, the tax officials have agreed to release share certificates seized by them on proper identification, and allow brokers to have photocopies of their accounts books wherever needed.

The stock market will be closed on Thursday and Friday for Diwali (festival of lights), which coincides with the new year for Indian businessmen. There will be moorat (first day) trading on Saturday and it will be business as usual from Tuesday (November 4).

JVC interim profits fall 70%

BY YOKO SHIBATA IN TOKYO

VICTOR COMPANY of Japan (JVC) yesterday reported pre-tax profits in the first half to September, which were down 70 per cent by ¥4.01bn (\$24.86m), attributable to decreased exports to the US and China, a struggling domestic economy and the rapid growth of consumer electronics industries in newly industrialised countries such as South Korea and Taiwan.

JVC's net profits fell by 45.3 per cent to ¥2.47bn, on turnover of ¥281.94bn, a decline of 8 per cent from year earlier.

A foreign exchange loss of ¥33.4bn was caused by the year's steep appreciation against the dollar. This pulled the company into an operating loss of ¥4.56bn against profits of ¥4.91bn, the first such loss since its listing on the Tokyo Stock Exchange in 1980.

But it managed to generate pre-tax profits with help from earnings on financial transactions and royalty income. JVC will pay an interim dividend of ¥8.25, unchanged from the year-before level.

During the half year,

domestic sales grew 13 per cent to account for 41 per cent of the total turnover. The ratio of domestic sales was 34 per cent a year earlier. The group's enhanced sales of high-value added products such as the compact VHS video-cassette CR-C7 boosted domestic sales. Exports shrank 19 per cent to account for ¥1.65bn.

Full-year sales are projected at ¥565bn, down 4 per cent from the previous year. Pre-tax profits are expected to emerge at ¥8bn, down 81 per cent.

S. Korea state steel concern to go public

BY OUR BOMBAY CORRESPONDENT

THE state-owned Pohang Iron and Steel (Poco), the biggest company in South Korea in terms of assets, has decided to go public, according to a Poco official, AP-DJ reports from Seoul.

The steel manufacturing company has assets of about 3,366bn Won (\$2.75bn). When and how Poco shares will be offered will be decided after a team completes a detailed study on the plan to offer its shares for public ownership, the official said.

Analysts said a share sale is not likely until completion of its second steel plant off Kwangyang Bay on the southern coast of Korea.

South Korea law requires companies that go public to offer at least 20 per cent of their equity. Based on Poco's current issued capital, that percentage would amount to at least 700m Won.

The largest shareholder in Poco is Korea Development Bank, which owns 33.2 per cent of the company's equity. Other shareholders include the Ministry of Finance, which has 22.7 per cent; Korea First Bank, 6.9 per cent; Korea Trustee Banking, 2.5 per cent; and three other commercial banks which jointly hold 18.7 per cent.

Poco's sales in 1985 increased 5 per cent from a year earlier to 2,600bn Won, while profits rose 2.5 per cent to 430bn Won.

Reliance Industries share price plunges by 20%

BY OUR BOMBAY CORRESPONDENT

SHARE VALUES of Reliance Industries, known as India's fastest growing company, plunged more than 20 per cent last week on the Bombay Stock Exchange to a year's low.

The fall dragged down other share values, and would probably have been greater had trading not come to a halt in Bombay after the income tax raids.

The immediate reason for the plunge in Reliance shares is reports on an unrelated raid on Reliance corporate offices in Bombay by tax officials, which the company denies.

The slide in the shares started in June after a peak of Rs394 on expectations of an increased dividend and bonus issue. They now stand at Rs 212.

An official committee in late September cleared Reliance on charges of having incorrectly channelled bank loans to support its Rs 2.7bn (216m) debenture issue floated last year. The committee, headed by the Deputy Governor of the Reserve Bank of India (RBI),

asked in July to inquire into media allegations that a dozen companies affiliated to Reliance raised loans from

banks and used the cash to ensure that its debenture issue was oversubscribed by a third.

Indian laws do not prohibit insider trading in shares and debentures but banks cannot lend support to such transactions. The committee says nearly Rs 600m was lent to some 40 trading and investment companies affiliated to Reliance but the loans do not leave the banks unduly exposed.

However, it made several observations that are not complimentary to the banks which sanctioned the loans.

Decisions on the RBI committee report are expected to be announced when the Indian Parliament meets again in the second week of November.

Investors fear that a recall of these bank loans might strain the company's cash flow. There is also uncertainty over a proposal by Reliance to issue Rs 4bn fully convertible debentures as rights to its shares and debenture holders.

The ambition of Mr Dhirubhai Ambani, Reliance chairman, is to make the company a pacesetter for the corporate sector. Reliance doubled its sales in three years to Rs 711bn last year, when it paid a dividend of 60 per cent.

ACM plans to revive mine in Tasmania

By Kenneth Marston, Mining

AUSTRALIAN Consolidated Minerals (ACM) in partnership with Alistair Exploration plans to re-suscitate the Tasmania underground gold mine at Beaconsfield in Tasmania. The partners intend to float a new AS15m (US\$9.6m or £6.8m) company for the purpose.

An AS8.2m two-year rehabilitation programme is planned for the mine to confirm an ore resource — indicated and inferred from old records and surface drilling — of some 670,000 tonnes grading 24 grams gold per tonne.

Toyota to spend \$1bn on North American plants

BY IAN RODGER IN TOKYO

TOYOTA PLANS to spend most of the proceeds of its planned ¥200bn (\$1.24bn) convertible bond issue on North American factories now under construction.

Mr Shoichiro Toyota, its president, explained the company's investment plans for the issue at a press conference yesterday at the Nagoya Stock Exchange. Toyota's announcement of the planned issue in August was greeted with considerable surprise by Japanese investment analysts. The company is famous for its wealth.

Mr Genaro Tsuji, vice-chairman, said Toyota's profits were likely to bottom out next year and turn upward in 1988 on the strength of increased domestic demand, in-house cost-cutting and the benefits of tax reform.

In the year to June, the company's pre-tax profits dropped 24.6 per cent to ¥488.4bn.

EBARA CORPORATION U.S. \$70,000,000 3 3/4 per cent. Guaranteed Notes 1991 with Warrants to subscribe for shares of common stock of Ebara Corporation. The Notes will be unconditionally and irrevocably guaranteed by The Dai-ichi Kangyo Bank, Limited. Issue Price 100 per cent. Yamaichi International (Europe) Limited. James Capel & Co., DKB International Limited, Banque Paribas Capital Markets Limited, Kleinwort Benson Limited, Leu Securities Limited, Mitsubishi Finance International Limited, The Nikko Securities Co., (Europe) Ltd., Sanwa International Limited, Union Bank of Switzerland (Securities) Limited, Nomura International Limited, Daiwa Europe Limited, Kyowa Bank Nederland N.V., Merrill Lynch Capital Markets, Morgan Stanley International, Nippon Kangyo Kakumaru (Europe) Limited, Westdeutsche Landesbank Girozentrale

ISHIHARA SANGYO KAISHA, LTD. U.S. \$70,000,000 3 3/4 per cent. Guaranteed Notes 1991 with Warrants to subscribe for shares of common stock of Ishihara Sangyo Kaisha, Ltd. The Notes will be unconditionally and irrevocably guaranteed as to payment of principal and interest by The Long-Term Credit Bank of Japan, Limited. Issue Price 100 per cent. Yamaichi International (Europe) Limited, LTCB International Limited, Morgan Stanley International, ANZ Merchant Bank Limited, Cosmo Securities (Europe) Limited, Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.), Swiss Volksbank, James Capel & Co., Nomura International Limited, Banca della Svizzera Italiana, Cazenove & Co., Daiwa Bank (Capital Management) Limited, Manufacturers Hanover Limited, Taiyo Kobe International Limited

Series 044 U.S. \$42,000,000 Short-term Guaranteed Notes issued in Series under a U.S. \$280,000,000 Note Purchase Facility by Mount Isa Mines (Coal Finance Limited). Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1983, carry an Interest Rate of 00.00% per annum. The Issue Date of the above Series of Notes is 29th October, 1986 and the Maturity Date will be 29th January, 1987. The Euro-clear reference number for this Series is 28672 and the CEDEL reference number is 831357. Manufacturers Hanover Limited Issue Agent 29th October, 1986

MITSUI FINANCE ASIA LIMITED (Incorporated in the Cayman Islands) US\$150,000,000 Guaranteed Floating-Rate Notes 1997 In accordance with the provisions of the Notes, notice is hereby given that for the three month period, October 28, 1986 to but excluding January 28, 1987 the Notes will carry an Interest Rate of 6 1/8% per annum. Coupon will be US\$161.32 on the Notes of US\$10,000. Mitsui Finance Trust International Limited Agent Bank

ECU 150,000,000 IRELAND Floating Rate Notes due 1997 Notice is hereby given that the Rate of Interest has been fixed at 7 1/2% and that the interest payable on the relevant Interest Payment Date, April 28, 1987 against Coupon No. 4 in respect of ECU 10,000 nominal of the Notes will be ECU 385.49. October 28, 1986, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

KAWASAKI STEEL CORP. Japanese Yen 10,000,000,000 Reverse Floating Rate/Fixed Rate Notes due 1996 In accordance with the terms and conditions of the Notes, we hereby give notice that the Yen Libor for the period from 9th September 1986 to 9th March 1987 was fixed at 4 1/2%, giving the Interest Rate Factor of 9.287/340. On 9th March 1987, interest of Yen 26,686 will be due per Yen 1,000,000. The Taiyo Kobe Bank Limited London Branch Agent Bank

HALIFAX BUILDING SOCIETY £10,000,000 Floating Rate Loan Notes Due 1986 (Series A) Interest Rate 11.250% Interest Payment Date 28th November 1986 Date of Redemption 28th November 1986 £ 47.25 £100.00 Net £23.25 Credit Balance First National Limited Agents

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Warburg endorsed by Japan's PO

BY IAN RODGER IN TOKYO

S. G. WARBURG, the UK merchant bank, has been accredited as a securities dealer for the largest institutional investor in the world. Warburg is the first British, and only the fourth foreign, dealer to win the endorsement of the Japanese Post Office Life Insurance and Post Office Annuities Funds.

This means that officers of the Japanese Post Office, which had funds totalling ¥29,000bn under its management at the end of 1985, may buy and sell securities directly from Warburg. Mr Christopher Purvis, branch manager of S. G. Warburg Securities (Japan) Inc., described the appointment as "a wonderful seal of approval for us on the day of Big Bang."

Mr Purvis said the arrangement with Japan's post office was the result of a long series of discussions during which Warburg argued that it was important for the organisation to have relations with British as well as US brokers. The other foreign securities dealers accredited by the post office funds are Merrill Lynch, Salomon Brothers and Morgan Stanley.

Mr Geoffrey Littler, second permanent secretary of the UK Treasury, in Tokyo yesterday, welcomed the progress Japan had made in liberalising its financial markets. Sir Geoffrey, who was heading the British delegation to the semi-annual consultation between British and Japanese financial officials, added that "we will always urge greater speed."

Dome wins majority approval of waivers

By Bernard Simon in Toronto

DOMESTIC PETROLEUM, the ailing Calgary energy producer, has obtained the approval of a substantial majority of its unsecured public holders of eight European debt instruments to suspend interest and principal payments on their portion of the company's C\$4.3bn (US\$4.56bn) debt.

Dome said yesterday that more than 70 per cent of the holders of three series of Swiss franc bonds and notes totalling Sfr 300m have agreed to waive payments from October 23 1986 to June 30 1987. Earlier this month, holders of five US dollar-denominated instruments gave their approval at meetings in London to similar waivers.

Reluctance to position ahead of US refunding

By CLARE PEARSON

YESTERDAY was a harassing time for London's domestic securities markets as dual-capacity trading began, but a quiet Monday for the Eurobond market. Dealers were reluctant to take up positions ahead of the forthcoming refunding programme in the US Treasury bond market, which will be seen as a crucial test of Japanese demand for dollar-denominated bonds.

New issuing activity was concentrated in the "currency" sectors of the Eurobond market, where two UK-based companies issued debt which will be swapped into dollars. Heron International, the UK-controlled private property and finance company, issued a 7.75 per cent seven-year bond led by Credit Lyonnais. The issue was priced at 99 1/4 with a 3 1/2 per cent coupon, which dealers said looked attractive compared with yield levels in the secondary market.

After falls last week in share prices in Tokyo, Daiwa Europe increased the coupon on its \$300m equity warrants bond for Sekisui House when pricing took place yesterday. The coupon was increased by 1 per cent from the indicated level, to 8 1/2 per cent. The bond was quoted at a 87 bid price.

In the Swiss franc market prices were unchanged to slightly easier yesterday. Buying interest was low. A recent Sfr 150m 10-year 5 1/2 per cent bond for Heron International closed its first day's trading at 88 1/2, compared with a par issue price.

The volume of capital transactions reached 400 yuan in the first two months after the market opened on Friday. China's first securities market since 1949 opened in Shenyang in August, trading bonds.

Singapore names dealers for new market

BY STEVEN BUTLER IN SINGAPORE

THE MONETARY Authority of Singapore, MAS, the island-state's quasi-central bank, is to launch a government securities market on March 2 next year, and has awarded licences for five primary dealerships as well as three registered dealers.

Four of the primary dealerships have been awarded to Singapore's Big Four banks—Overseas Chinese Banking Corporation, Overseas Union Bank, United Overseas Bank and National Discount Company, which is owned by DBS Bank.

The MAS said primary dealerships had been limited to five because the Government intends to confine the market initially to local investors. Issues with maturities of up to five years are being planned, although 10-year bonds may also be issued if demand is sufficient.

The Singapore Government has doubled the amount of money that pension fund holders may invest in the stock market or gold, from November 1. The decision increases the potential amount available for such investment to some S\$4.5bn. So far only about S\$100m has gone into the market.

SES lowers size of levy for members' lifeboat fund

THE LEVY on commissions earned by Singapore stockbrokers used to create a lifeboat fund for members in financial difficulties will be reduced to 1 per cent from 1 1/2 per cent on November 1, exchange officials said, Reuters reports.

In March, the exchange said it would honour all bona fide contracts transacted through the exchange, including those with member companies under independent management, re-covership or liquidation.

Bond trading in Chinese city

A CAPITAL market centred on stocks and bonds has opened in the central China city of Wuhan, Reuters reports.

Nationwide launches first credit for £200m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NATIONWIDE, the UK's third largest building society in terms of assets, has launched its first credit in the international capital markets. It is raising £200m through S. G. Warburg.

The loan carries an annual commitment commission of 1/2 per cent which will apply if drawings fall below 51 per cent of the total. This is the first credit operation for Nationwide, although it has raised funds in the floating-rate note market. Bankers say the FRN market has been weak recently as sterling has fallen, and the costs of the credit are currently slightly below those that would apply to a bond.

Separately, First Chicago announced yesterday that it is arranging a \$100m, five-year loan facility for Michigan National Bank of the US. The operation carries an annual facility fee of 15 basis points and drawings on the accompanying standby credit will carry interest at a margin of 20 basis points plus a utilisation fee of five basis points if more than 50 per cent is taken up.

The facility will allow Michigan National, which has no long-term debt and is unrated, to raise funds in the form of Eurocommercial paper, Euronotes and medium-term notes.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 27

Table with columns: US DOLLAR STRAIGHTS, Other STRAIGHTS, Floating Rate, Convertible, and various bond symbols with their respective prices and changes.

BIS figures

In an article in yesterday's FT on commercial bank lending to developing countries, the period covered by the Bank for International Settlements figures was given incorrectly as the second quarter. The BIS study covers the 2 1/2 years from the end of 1983 to mid-1986. During that time the most heavily indebted countries received \$18bn in new loans from commercial banks but repayments exceeded this by \$2.8bn, making total principal repayments of \$17.5bn.

N. AMERICAN QUARTERLIES

Table showing financial data for ANHEUSER-BUSCH, CAROLINA POWER AND LIGHT, CINCINNATI GAS AND ELECTRIC, and SWEETENED CORN.

Table showing financial data for CANADIAN OCCIDENTAL PETROLEUM, SWEETENED CORN, and CAROLINA POWER AND LIGHT.

Table showing financial data for SWEETENED CORN, CAROLINA POWER AND LIGHT, and CINCINNATI GAS AND ELECTRIC.

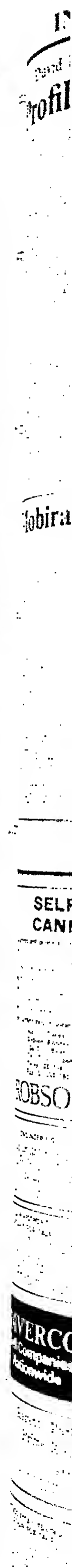
Table showing financial data for SWEETENED CORN, CAROLINA POWER AND LIGHT, and CINCINNATI GAS AND ELECTRIC.

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Table showing financial data for SWEETENED CORN, CAROLINA POWER AND LIGHT, and CINCINNATI GAS AND ELECTRIC.

Advertisement for U.S. \$200,000,000 The Kingdom of Belgium Floating Rate Notes Due October 1994, featuring the Belgian coat of arms and a list of participating banks.



# INTL. COMPANIES and FINANCE

## David Barchard on the rapid growth of a Turkish conglomerate Profilo adjusts to new opportunities

THIRTY YEARS ago, Mr Jak Kamhi, then a young university graduate specialising in the import of construction materials, was struck by the thought while visiting Europe that it ought to be possible to make some of the things in Turkey that he was buying abroad.

Today Mr Kamhi is one of Turkey's top 10 industrialists, running an empire that extends from construction materials to white goods, electronics, and even luxury yachts.

When a Turk buys a colour television, video recorder, washing machine, refrigerator or even a cash register, the name on it may be Sony or National or AEG. But the chances are that it has been almost entirely manufactured in Turkey by a company called Profilo.

This is Mr Kamhi's industrial group which this year is expected to achieve group sales of around TL 367bn (\$519m) and profits of TL 22.7bn.

For Mr Kamhi, Profilo is currently riding high after living through many years of almost non-stop problems despite strong demand for the kind of consumer durables in Turkey which fed the group's growth.

In many ways his story is a classic example of the way in which Turkish industry grew after 1980 because of the emphasis on import substitution.

But Mr Kamhi feels the group has now adjusted to the free market, export-oriented policies imposed in 1980 by Mr Turgut Ozal, the Prime Minister, even though, as he says with a rueful chuckle: "Mr Ozal has made life much more difficult for us than it used to be."

To outsiders, that might seem a moot point. It may seem amazing that Mr Kamhi's group, and others like it, managed to grow at all in the 25 years before 1980. They had to contend with endless shortages of foreign currency to finance imported machinery and raw materials, or a militant labour movement which on one occasion resorted to the sabotage of machinery in Mr Kamhi's plants, and a hostile bureaucratic attitude towards private sector industrialists.

All that ended when Mr Ozal first began his reforms—but groups like Profilo found they were facing a case of swings and roundabouts. The strikes and foreign currency shortages had gone, but so had easy credit. Interest rates soared while demand in the domestic markets for consumer durables sagged.

"We were not very happy at the liberalisation policies," sighs Mr Kamhi. "But we are alive and that is probably the case that what Mr Ozal is doing is good for the country."

The Profilo group today consists of 28 companies, all of which are in profit, according to Mr Kamhi, though he admits the situation was different a year or two back, when the group's Kleenex operation was heavily in the red.

He says that paying 80 per cent on bank borrowings restricts his opportunities to invest. The cost of finance and the depreciation of the Turkish lira (which affects the cost of imports) is cited as a major obstacle to new investment and product diversification. In 1985 the cost of finance was 13 per cent of Profilo's total prime costs.

Profilo, however, has not stopped investing. Next week Mr Kamhi flies to Japan to talk about a project to manufacture VCRs under licence in Turkey's new free zones in a joint venture with one of the biggest Japanese electronics companies.

The group has always aimed at vertical integration. Only 8 per cent of Profilo's refrigerator has to be imported, though for more sophisticated electronic goods such as televisions, the local content drops to around 60 per cent.

The Turkish public is unaware that besides the visible goods which reach the shop windows, Profilo makes

its own inputs, such as cathodic copper, and engages in grey iron and spherical casting and aluminium drawing for instance, and makes many of the thermostats used in its equipment.

Despite the obvious temptation to rely on domestic consumption, Profilo has pushed hard for export business whenever possible in recent years. It has sold colour televisions to Belgium and would like to sell more in the North American markets, despite the difficulties of keeping up with the rapid changes in norms and standards.

Last year Profilo's exports reached TL 21bn — a record for the group. However, prospects for 1986 are not very encouraging as Turkey's main customers in the Middle East, notably Iran and Iraq, have severe cash-flow problems and trade with them has dwindled.

For this reason Mr Kamhi is one of the strongest advocates in the Turkish business world of an early application by Turkey to join the European Community, feeling both that it will offer new markets and enable the restructuring of Turkish industry to continue. "I can compete in European markets," he says.

## Mobira builds on strength of joint ventures

BY OLLI VIRTANEN IN HELSINKI

MOBIRA, the fast-growing mobile telephone company within the Nokia industrial group of Finland, appears to be putting the popular maxim "if you can't beat them, join them" to good effect.

Last year it launched a successful joint venture with Tandy, the US electronics retailer and micro-computer software group, and has followed this more recently with a link with the Matra electronics group of France.

These two deals have helped Mobira consolidate its position as the leading European supplier of mobile telephones and have led the company to claim that it is just possibly world leader as well.

Last year Mobira's sales totalled FM 641m (\$130m)—an increase of 126 per cent from the year earlier. This upsurge was mainly due to Tandy-Mobira Communications, the manufacturing subsidiary 50-50 owned with Tandy.

Based in South Korea, this plant got well into its stride during the last quarter of 1985 and successfully opened up the vast American market to the Finnish group.

The roots of Mobira's success can be traced back to the development of the Nordic Mobile Telephone (NMT) network, jointly created for Finland, Sweden, Norway and Denmark by the countries' telephone administrations. Mobira, and Ericsson of Sweden developed the equipment and when inaugurated in 1982 it was the most sophisticated network in cellular mobile telephones in the world.

Since then the NMT has been introduced with local modifications in Austria, Belgium, Holland, Iceland, Spain, Thailand, Malaysia and Indonesia. The construction of an NMT network is under way in Switzerland and Turkey.

Initially Mobira marketed equipment with help from local operators. In the UK, for example, Mobira sold the first generation mobile telephones under the Marconi trademark and the second generation cellular telephones under the trade mark of Racal and British Telecom. In Austria, Mobira uses the brand name Bosch after its local partner.

Mobira has begun to raise its profile by selling under its own name. The company has set up a subsidiary in Britain to sell Mobira brand name products. It has a 15 per cent share of the UK market and says that it simply cannot get enough sets to keep up with demand.

Mobira also plans to promote its name in France. The new joint venture allows each company to market telephones under their own trade marks. France will have an estimated 200,000 subscribers in its Radiocom 2000 mobile telephone network by 1990. Matra Nokia Radiocom 2000 is expected to capture two-thirds of the market—a target based on the fact that Matra Communications has been the main contractor of the French network. There are about 4,000 connected mobile telephones in France.

Mobira says its European market share in mobile telephones is about 20 per cent. World statistics are difficult to assess but according to Mobira's own calculations it is now number one in the world, too. Mobira claims around 14 per cent of the world market followed by Motorola of the US with 12 per cent.

Technically mobile telephones still have a long way to go. The NMT system in the Nordic countries enables a direct call from one mobile telephone in Norway to another in Finland, but Mobira is confident of further advances.

One problem is rapid increase in subscribers which causes overcrowding.

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The company's latest model for the 1986/87 season has been widely acclaimed at the leading industry trade fair. Costs for the considerable research and development have been covered but for future expansion new funding will be required. Tax loss carry-over may be claimed.

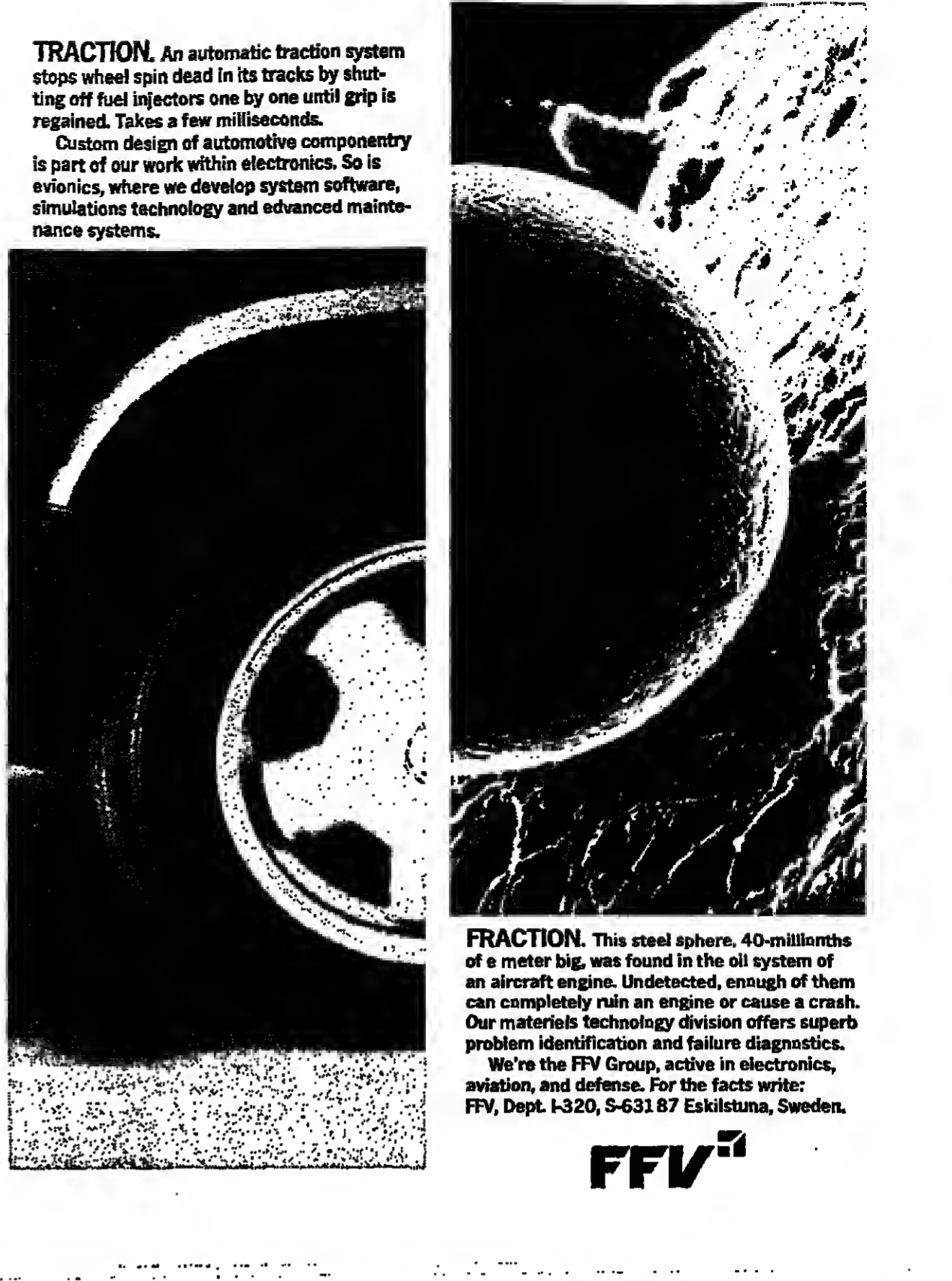
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MANAGEMENT : Small Business

EDITED BY CHRISTOPHER LORENZ

A Japanese upset for venture capitalists

William Dawkins and Yoko Shibata explain the downfall of the robot-maker, Dainichi Kiko

BILLED JUST over a year ago as the future Sony by an enthusiastic Japanese press, Dainichi Kiko — once the star of the Japanese robotics industry — has fallen to earth with a thump.

There were also problems in Dainichi's home market where, in spite of its strong export orientation, the company managed to hang itself to the ceiling.

Reputation The new venture's first domestic breakthrough came three years later in the form of an order from Japan's Public Highway Corporation for a machine dubbed the Husky robot, to fix road panels on road tunnels.



Toshiro Kohno: part of Dainichi's problems lay in a sudden oversupply of robots

Of Tetsuo Maruyama, head of Thermovonics, the Japanese offshoot of a US technology company. Maruyama and a worried Dainichi Mutual attempted to put together a rescue package with another of the insurance group's investments, Yokogawa Hokushin Electric, a producer of precision measuring equipment.

Japan's entrepreneurial climate Reflecting the economy

By RICHARD EVANS

TO EUROPEANS, Japanese industry appears to be totally dominated by the big paternalistic corporations like Mitsubishi, Sony and Nissan.

growth small businesses had low productivity and technology levels and because of their reliance on low wages created by a surplus of labour there was a danger that they might be left behind by economic modernisation and the strength of the yen, and the Japanese Government had therefore had to adopt a new enterprise policy to cope.

According to Masamitsu Hiroumi deputy director-general of the small and medium enterprise agency of the Japanese Ministry of International Trade and Industry (MITI) in a paper to the 12th International Small Business Congress in London last week Japanese small firms have strongly supported the development of the country's post-war economy.

clearing bank current account offers almost no interest, the cheque accounts offered by merchant banks and licensed deposit banks can yield anything from 9 per cent — as available at the Schroder Special Account in the middle of last month when the study was compiled — to 11 per cent at the Wembley and South West High Interest Cheque Account.

In brief...

Small enterprises with cash in their current accounts could well be losing money without knowing it, warns What to Buy for Business, the consumer guide for managers.

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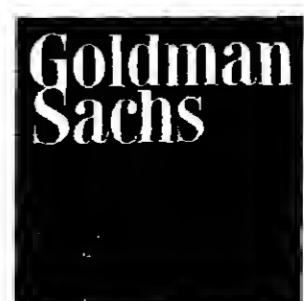
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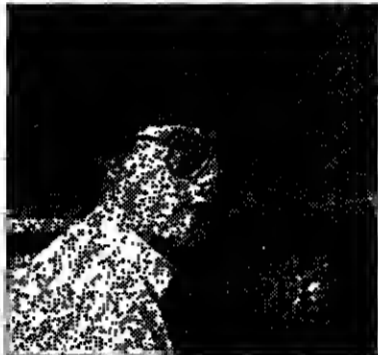
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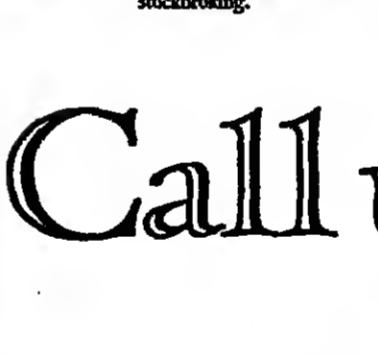
**Roy Cooke, 20 years' stockbroking experience involving all aspects of sterling bonds, including corporate finance.**



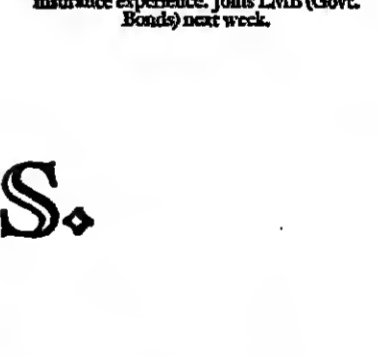
**Paul Formstone, Thirteen years' experience in stockbroking. Ten years' experience with Stock Exchange Money Broker.**



**Brian Wales, M.A., Oxford. Originally a physicist. Has worked on the computerisation of gilt analysis since 1981.**



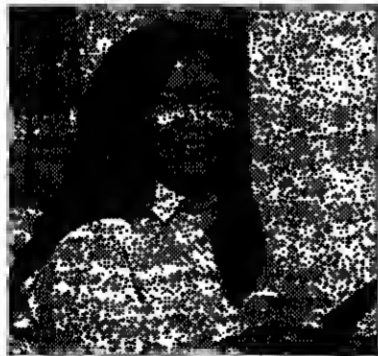
**Ray Stonehill, Assistant Treasurer of Sun Life of Canada for 12 years where he was responsible for gilt and fixed interest investments. More recently, money broking manager with an Esso Group company.**



**Philip Mackworth-Pratt, 28 years' experience in the gilt market both jobbing and broking.**



**Mike Sheridan, Chief Accountant joined the company from Morgan Guaranty Trust Co. had wide experience in the financial sector of the City and in Europe, specialising in systems and procedures.**



**Kim Ng, 10 years with Lloyds Bank International. Heads up the secretaries' place could fall apart without her.**



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## UK COMPANY NEWS

### Allied London profits up 21% to £4m

Allied London Properties, the property development, investment and house-building group, boosted pre-tax profits for the year ended June 30 1986 by 21 per cent to £4.05m. Last year the company made profits of £3.36m.

The directors propose a final dividend of 1.5725p, compared with an adjusted 1.24p, making a year's total of 1.75p, against 1.4p. Earnings per share came out at 6.58p (5.35p).

Interest charges rose to £3.48m (£2.38m) and tax was £739,000 (£671,000). There was also an extraordinary debit of £582,000 against a previous credit of £656,000.

The company's property portfolio, which comprises 52 per cent offices, 42 per cent warehouse/industrial and 6 per cent

retail shopping, was re-valued at £88m (£78.2m) and incorporated in the accounts. The net asset value increased from an adjusted 107p a share to 114p. Net rental income rose 23.7 per cent to just under £5m. Trading profits rose by £1m to £4.92m.

The proceeds of the £15m first mortgage debenture stock was received during the latter part of the financial year and enabled the company to discharge most of its short term borrowings and have available funds and resources for suitable acquisitions.

Central House, located in Hounslow, was now fully let while detailed planning permission had been granted for a further phase of 65,000 sq ft of office space at Elstree. At Dart-

ford Trade Park the company has let a further phase of 40,000 sq ft and will shortly begin the next phase of some 25,000 sq ft. Additional land for future extension has been acquired.

The new trade park in Dartford, adjacent to the M25 is now being developed and work is in hand for the first unit which is pre-let. In the town centre at Dartford construction of approximately 9,000 sq ft of office space is well advanced. The company has added to its portfolio at Gerrards Cross a site for 8,000 sq ft of office space. Further lettings have been achieved at Cheltenham Trade Park and a new phase of development will commence shortly.

Stirling Homes had another

satisfactory year in the south-east. Stocks of additional land in the area have been acquired to enable progress to continue.

**Comment**

The snails pace of traffic round the M25 should provide plenty of opportunities for window shopping and thus justify Allied London Properties' commitment to Dartford's town centre and trade parks. The M20 service centre looks interesting given the lack of competing facilities, especially as the land is in the books at agricultural values and therefore surpluses are inevitable. However, the rise in administration costs looks uncomfortably high

given that no new properties were added to the investment portfolio in the year. Irritatingly Allied London refuses to publish a diluted net asset value but on estimates of 94p as of June 30 the shares, at 79p, are trading on a 23 per cent historic discount to net asset value. On a forward looking asset value of 104p per share, the discount is 31 per cent. This may seem a little on the high side given that the historic yield, at 3.5 per cent, has now caught up with the sector's average, but the company lost its premium status following a dull 1984-85 and is presently ploughing a workman-like furrow.

### E. Upton looking to accelerate improvement

INTERIM FIGURES from E. Upton and Sons, the North of England department store operator, showed that first quarter results were poor, but from May onwards the improving trend had been maintained.

Turnover in the 28 weeks to August 12 1986 went up from £2.22m to £3m, and the trading loss was cut from £41,000 to £37,000. Of those figures, £222,000 and £24,000 respectively related to McKenna and Brown, for 19 weeks from acquisition—it retails audio, visual and photographic equipment and results were in line with seasonal expectations.

The directors said the figures confirmed a stabilisation of the trading position for the department stores.

However, there was a net loss of £178,000 for the period after charging depreciation £12,000 (£105,000) interest paid £37,000 (£48,000), exceptional debit £28,000 (£69,000), and this time minorities of £20,000. Basic loss per share came to 11p (9p) and fully diluted to 9p (5p).

The figures were affected by costs and the attendant disruption caused by integrating the Middlesbrough and Stockton shops, but important operating cost savings have been achieved.

The level of trading in the two companies should ensure results for the rest of the year would be significantly better than last time. Meanwhile, the directors continued to seek further expansion of the trading base.

### Full listing for SUMIT

Continuing growth and new investment opportunities have led the board of SUMIT to seek a full listing and to raise new capital with the placing of new ordinary £1 shares on November 19.

SUMIT specialises in providing development capital for management buy-outs and minority equity interests in unquoted smaller industrial and commercial companies with above average prospects. It was founded in 1980 by Albert E Sharp & Company, the Birmingham based stockbrokers, and 19

investment institutions. The portfolio covered companies in most regions of the UK, and currently consisted of 25 investments with a total valuation at September 30 of some £14m. Between the beginning of 1982 and the end of 1985 the net asset value grew from 100p to 177p per share.

The listing would achieve the advantages of investment trust status but the directors felt that Summit should be more properly seen as a development capital company.

### British Assets shows advance

With earnings per share rising from 1.81p to 2.2p in the year ended September 30 1986, the directors of British Assets Trust are lifting the total dividend from an adjusted 1.78p to 2.05p, net with a fourth quarterly payment of 0.575p.

At September 30, the net asset value had moved ahead from 63.8p to 77.5p per share.

In the year total income came to £17.4m, compared with £11.8m. Of that, income from subsidiaries represented £6.44m (£650,000), other dividend income £10.12m (£9.76m), and interest received £814,000 (£1.29m).

Expenses were £4.76m (£1m) of which interest payable accounted for £3.87m (£142,000), and the tax charge was £4.08m (£3.77m).

During the year British Assets made an offer for Investors Capital Trust and unsecured loan stock convertible into ordinary shares of GBC Capital was issued as part of the consideration.

British Assets holding in CBC was valued at the lower end of net asset value and the conversion price. Its holding in Investors Capital Trust was valued at net asset value.

### Dean & Bowes ahead midway

Dean & Bowes Group, the refurnisher and refurbisher of licensed premises and leisure centres which came to the USM in May this year and which includes Courage and Mecca Leisure among its clients, reported pre-tax profits up from £202,000 to £261,000 in the six months to June 30 1986.

Group turnover increased by 20 per cent from £1.1m last time to £1.3m.

After increased tax of £101,000 (£89,000), earnings per share worked through at 2.7p (2p). The interim is 1p.

### Camco purchase

Camco, US-based supplier of gas lifting equipment and safety systems to the energy industry and a 65.4 per cent subsidiary of Pearson, has acquired the nitrogen and coil tubing assets of Nowco Services, a wholly-owned subsidiary of Big Three Industries, for \$5.4m (£3.64m).

Camco will continue the oil field and industrial services of Nowco in its principal markets under the name of Nowco.

### BOARD MEETINGS

TODAY	FUTURE DATES
Intarime: Chapotow Resources, Fobal International, Wills Eyrewood, Marks and Spencer, NEC, Gemstone, Top Value.	Intarime: BET ..... Nov. 20
Finals: British Car Auctions, Chapman Brothers	Epicure ..... Oct. 31
Field Properties, Progress Estates,	Hunting Group ..... Oct. 29
Japan Assets Trust, National Home Loans, Wolsey.	Finals: Amber Day ..... Oct. 29
	Boston (William) ..... Oct. 31
	Nilton ..... Oct. 30

### HARTONS GROUP P.L.C.

(Incorporated in England under the Companies Act 1948 in 1980, Registered No 1519907)

Rights issue of 5,434,375 7 per cent Convertible Cumulative Redeemable Preference shares of £1 each at par payable in full on acceptance not later than 3.00 p.m. 17th November, 1986

The Council of The Stock Exchange has admitted the above mentioned shares to the Official List

Particulars of the Convertible Preference shares are available in the new issue cards circulated by Exel Statistical Services and copies of the Listing Particulars and the latest annual report and accounts of the Company may be obtained during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 11th November, 1986 from:

Hartons Group E.L.C.  
Registered Office:  
Bennett Street, Long Eaton, Nottingham NG10 4HL

Barclays de Zoete Wedd Limited  
Ebbgate House, 2 Swan Lane,  
London EC4R 3TS

de Zoete & Bevan  
Ebbgate House, 2 Swan Lane,  
London EC4R 3TS

Close Registrars Limited  
36 Great St. Helens,  
London EC3A 6AP

Foster & Brantingham  
22 Austin Friars,  
London EC2N 2BU

and until 30th October, 1986 for collection only from:  
The Company Administrators Office  
The Stock Exchange, London EC2P 2BP.

28th October 1986

### To pull ahead in today's financial services race, your departments have to pull together.

The financial services race is more competitive than ever. Clients expect more. The market has more to offer. And every day, it seems someone new enters the race. To keep your head above water and get ahead, your departments have to work more efficiently and pull together. Otherwise they could be working at cross-purposes and wind up dead in the water.

At Prime, we know that everyone in any given department is basically in the same boat. That's why we developed the ideal solution — departmental computing. Departmental computing connects the compatible PCs in your department into one integrated network. A synchronized network that lets everyone share information, research, and database solutions. And a flexible network that helps the people in one department communicate efficiently with other departments and even distant branches.

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And when it's time to expand, you won't be left high and dry. Prime hardware and software have been especially designed to adapt to your changing needs. All components are interchangeable and flexible so the system can grow with you.

But then, you'd expect all this from a company that offers total solutions and worldwide support.

Contact Prime at Prime Computer UK, Ltd., Primos House, 2-4 Lampton Rd., Hounslow, Middlesex TW3 1JW, England, 572-7400. Prime Europe, Middle East, Africa, The Hounslow Centre, 1 Lampton Rd., Hounslow, Middlesex TW3 1JB, England, 570-8555.

Departmental computing from Prime. Because pulling ahead in the financial services race takes a stroke of genius.

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It's time you knew.

LONDON RECENT ISSUES

EQUITIES

Table of recent equity issues with columns for Issue Price, Annual Dividend, Last Date, High, Low, Stock, and Change.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Issue Price, Annual Dividend, Last Date, High, Low, Stock, and Change.

"RIGHTS" OFFERS

Table of rights offers with columns for Issue Price, Annual Dividend, Last Date, High, Low, Stock, and Change.

Disclaimer text regarding the accuracy of the data and the responsibility of the publisher.

AUTHORISED UNIT TRUSTS

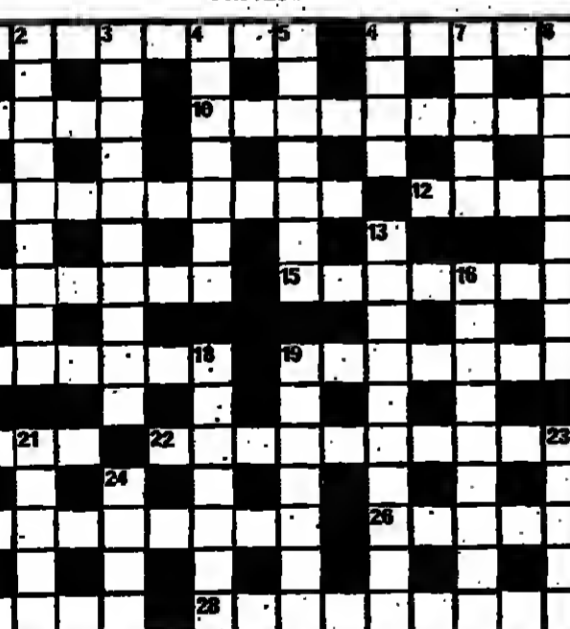
Large table listing various authorized unit trusts, including names, managers, and performance metrics.

FT UNIT TRUST INFORMATION SERVICE

Table providing detailed information for the FT Unit Trust Information Service, including trust names and associated data.

Advertisement for Société Nationale des Chemins de Fer Français, featuring guaranteed floating rate notes and a coupon for The Republic of France.

F.T. CROSSWORD PUZZLE No. 6,162



- List of crossword puzzle clues, including 'Entertainers appreciated by painters', 'Race official who shows surprise', etc.

Advertisement for 'MADAMOISELLE' perfume, featuring a stylized logo and product name.

Handwritten Arabic text at the top of the page.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table listing various financial products, including unit trusts and insurance policies, with columns for company names, product details, and prices.

Handwritten text at the bottom center of the page, possibly a signature or stamp.

Handwritten note: 10/28/86

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and life assurance products, including Standard Life Assurance Company, Sun Life Assurance Group, and others, with columns for company name, policy details, and financial metrics.

Table listing Overseas investment funds, including Fidelity International, Fidelity Overseas, and others, with columns for fund name, manager, and performance data.

Table listing Money Market Bank Accounts, including various banks and their offered rates, with columns for bank name, account type, and interest rate.

Table listing Money Market Trust Funds, including various trust funds and their performance, with columns for fund name, manager, and financial details.

Table listing Money Market Bank Accounts (continued), including additional bank offerings and rates.

OFFSHORE AND OVERSEAS

Table listing Offshore and Overseas investment funds, including various international funds and their details.

Table listing Overseas investment funds (continued), including additional international fund listings.

Table listing Money Market Bank Accounts (continued), including further bank account offerings.

Table listing Money Market Trust Funds (continued), including more trust fund listings.

Table listing Money Market Bank Accounts (continued) and TRADITIONAL OPTIONS, including 3-month call rates and other financial data.

NOTES: A section providing additional information and disclaimers regarding the data presented in the tables.

TRADITIONAL OPTIONS: A table showing 3-month call rates for various financial instruments.

COMMODITIES AND AGRICULTURE

Britain prepares fresh protest over 'lamb war'

BY ANDREW GOWERS

BRITAIN WAS last night preparing a fresh protest to France in the simmering dispute between the two countries over trade in lamb...

sampling of imports has gone out of the window. The Agriculture Ministry in London said it was still evaluating the situation but would probably protest again to Paris shortly.

parts—principally owing to the drop in the value of sterling against the French franc. Earlier this month, the EEC agreed to provide subsidies for storage to hold lamb off the market in France...

Indonesia urges tin producers to intervene in markets

INDONESIAN MINES and Energy Minister, Dr Sobroto, urged leading tin-producing countries yesterday to intervene in international markets to raise prices and stop subsidising Western consumer nations...



Dr Sobroto, Indonesia's Mines and Energy Minister

last week officials seemed far from agreed on how to tackle the problems of low prices and high stocks. Indonesia, for example, is backing the international trend by increasing production...

London gold hits 6-week low

By Andrew Gowers

THE GOLD price closed in London yesterday at its lowest level since September 11, following its sharp fall towards the end of last week.

Some analysts said the fall in price also resulted from hedging activity by the major producers and distributors in the US who had taken up a large proportion of last week's US Eagle gold coin issue...

LONDON MARKETS

LONDON ROBUSTA coffee futures prices rose yesterday for the fifth successive trading day, the January position's 220 advance taking the aggregate gain to 1,595.50 a tonne.

INDICES

Table with columns for DOW JONES, FTSE 100, and other indices, showing values and changes.

MAIN PRICE CHANGES

Table listing price changes for various commodities like metals, grains, and oil.

US MARKETS

PRECIOUS METALS traded in a narrow range and managed to hold Friday's closing levels despite particular weakness in the oil sector...

NEW YORK

Table showing market data for New York, including metals and grains.

CHICAGO

Table showing market data for Chicago, including live cattle and hogs.

Coking coal 'to remain depressed'

BY MAURICE SAMUELSON

REAL PRICES of coking coal—the staple fuel for steel-making—will stay depressed for another 10 years, says a report on likely trends in the metallurgical coal market...

Between 1985 and the year 2000, steel output in the non-Communist world would rise by 1.1 per cent a year—from 449m tonnes to 529m tonnes.

decline of their domestic coal industries, they are turning increasingly to foreign coal suppliers. In Northern Europe, for example, demand for imported coking coal should rise from 24.8m tonnes in 1985 to 33.2m tonnes by 2000.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

Table showing warehouse stock levels for various metals like aluminum, copper, lead, nickel, tin, zinc, and silver.

TIN

KUALA LUMPUR TIN MARKET: Close 18.01 (15.01) 100kg per kg. Tin prices are showing a slight recovery after a period of volatility.

ZINC

Official closing (am): Cash 812.3 (810.2), three months 829.4 (826.6), settlement 812.3 (810.2). Zinc prices remain relatively stable.

GOLD

Gold fell 3/4 to \$299.410 on the London market yesterday. It opened at \$301.414, unchanged from the previous day.

SILVER

Silver was flat 8.25p an ounce higher for spot delivery in the London market yesterday at 401.25p.

COFFEE

Large-scale profit-taking put downward pressure on the opening steady opening, reports Druzei Sumbon Lambert. Prices rallied in the afternoon...

COCOA

Futures were confined to a narrow range and closed slightly higher. Some volatility was noted in the afternoon...

POTATOES

Poor weekend weather stimulated upward pressure on the opening but this was short-lived and in thin volume values fell away throughout the day...

GRAINS

WHEAT: Yesterday's + or - Business Done. Prices for wheat are showing a slight recovery.

RUBBER

PHYSICALS—The London market opened about unchanged, attracted very little interest throughout the day...

MEAT

MEAT COMMISSIONS—Average livestock prices at representative markets. Cattle 93.10p per kg liveweight.

SUGAR

LONDON DAILY PRICES—Raw sugar (unchanged) a tonne for November-December 1986/87. White sugar \$100.00, down \$1.00.

OIL

Crude oil prices weakened in their trading. December WTI opened 27c down on NYMEX, ended 27c down.

FREIGHT FUTURES

The market was dull and thinly traded, awaiting fresh news from the physical market, reports Clarke Wols.

GAS OIL FUTURES

Month Year-to-day + or - Business Done. Gas oil prices are showing a slight recovery.

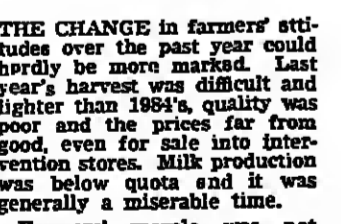
HEAVY FUEL OIL

Month Year-to-day + or - Business Done. Heavy fuel oil prices are showing a slight recovery.

LEADED GASOLINE

Month Year-to-day + or - Business Done. Leaded gasoline prices are showing a slight recovery.

More reasons to be cheerful



FARMER'S VIEWPOINT

By John Cherrington

THE CHANGE in farmers' attitudes over the past year could hardly be more marked. Last year's harvest was difficult and lighter than 1984's, quality was poor and the prices far from good...

prices seems to have bottomed out and there is not quite so much on the market. This is not only because of the lack of longer pressing for repayment, but also because of the machinery suppliers do not seem to be sharing in this optimism...

quality of the bread wheat varieties has not been enough to give the millers an incentive to pay a premium for domestically grown supplies. But there has been a lot of second-grade material.

Only the machinery suppliers do not seem to be sharing in this optimism. Sales of tractors and other expensive implements are not showing much buoyancy. This is the result of the abolition of the initial allowances by the present Chancellor.

Farmers can no longer write off the cost of an implement in the year of purchase—the process now takes around seven years. With interest rates high and inflation low liquidity must be the best policy.

This is undoubtedly so at present because the underlying fundamentals are much as they were a year ago. The world has still a massive surplus of all food products. The CAP is still a situation lasting for ever. Some things will have to give, as it always does in the end in human affairs, however pusillanimous the participants.

Vertical text on the right edge of the page, including 'FOREIGN' and 'UK rate trading'.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES Dollar remains firm

THE DOLLAR remained firm on the foreign exchange yesterday, as economic data suggested the currency's continued appreciation was in doubt...

resignation of Mr Jeffrey Archer, deputy chairman of the Conservative Party caused a little early nervousness, but Big Ben in City appeared to make no impact on the pound...

A year ago the current account surplus was DM 2.8bn, and the trade surplus DM 7.4bn. The dollar closed at DM 2.0445, against DM 2.0320 previously.

FINANCIAL FUTURES Late rally boosts gilt prices

GILT PRICES finished at the day's highs in the London International Financial Futures Exchange yesterday as dealers overcame uncertainty about the new dealing system in the Stock Exchange...

was still influenced more than anything else by the performance of sterling and although sterling, the latter showed little sign of reversing the recent bearish trend...

markets. However a general reluctance to stay short prompted demand late in the day, squeezing yields and pushing the price up to a high of 96-03 before closing at 96-02.

STERLING-Trading range against the dollar in 1986 is 1.5855 to 1.7870. September average 1.6711. Exchange rate index fell 0.1 to 67.1, compared with 76.4 six months ago.

On Bank of England figures the dollar's index was unchanged at 111.5.

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MONEY MARKETS UK rates ease in trading

INTEREST RATES were slightly lower in London yesterday. Short term rates eased in reaction to a small shortage forecast by the Bank of England...

revised to a shortage of around £10bn and the Bank gave no assistance in the morning.

In the afternoon the Bank gave assistance of £12bn through outright purchases of £4m of eligible bank bills in hand 3 at 10% per cent and in hand 4 £10m of eligible bank bills at 10 1/2 per cent.

In Frankfurt short term liquidity was boosted by currency swaps carried out by the Bundesbank.

The move to inject funds was an attempt to head off a squeeze on funds brought about by proximity of the month end.

Call money was quoted at 4.50 per cent after touching 4.00 per cent earlier in the day. Liquidity levels had been boosted earlier this month as the authorities sold marks and bought dollars in order to underpin the US dollar in order to finance the amount of financing to keep liquidity levels steady in the Bundesbank has shown no desire to see interest rates move significantly from present levels.

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+468% CURRENCY OPTIONS. Since August 1985 and September 1986 - FOREXA the Currency Option Advisory and Trading Service made 24 publicly recorded recommendations to clients of which 17 were profitably producing +468% and 7 were unprofitable producing -48% - on balance a profit of +468%.

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INTERNATIONAL & BRITISH ADVERTISING & CIRCULATION OFFICES. Advertising, Advertising and Circulation, 20 Gordon Street, London EC3A 3DF.

WORLD VALUE OF THE POUND. The table below gives the latest available rate of exchange for the pound against various currencies on October 27, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, Dividend, and Yield. Includes 'Shirts' (Lives up to Five Years) and 'Five to Fifteen Years'.

Over Fifteen Years

Table of Over Fifteen Years funds.

Index-Linked

Table of Index-Linked funds.

GOVT. BOND & SEC'S

Table of Government Bonds and Securities.

COMMONWEALTH & AFRICAN BONDS

Table of Commonwealth and African Bonds.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails.

AMERICANS

Table of American Stocks with columns for Name, Price, Dividend, and Yield.

AMERICANS - Cont.

Continuation of American Stocks table.

CANADIANS

Table of Canadian Stocks.

BANKS, HP & LEASING

Table of Banks, HP & Leasing.

BEERS, WINES & SPIRITS

Table of Beers, Wines & Spirits.

RETAILERS

Table of Retailers.

INDUSTRIALS

Table of Industrials.

DRAPERY & STORES

Table of Drapery & Stores.

ENGINEERING

Table of Engineering.

INDUSTRIALS (Miscellaneous)

Miscellaneous Industrials table.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, Roads.

DRAPERY & STORES - Cont.

Continuation of Drapery & Stores table.

ELECTRICALS

Table of Electricals.

CHEMICALS, PLASTICS

Table of Chemicals, Plastics.

DRAPERY & STORES

Table of Drapery & Stores.

ENGINEERING

Table of Engineering.

INDUSTRIALS

Table of Industrials.

ENGINEERING - Continued

Continuation of Engineering table.

INDUSTRIALS - Continued

Continuation of Industrials table.

INDUSTRIALS - Continued

Continuation of Industrials table.

INDUSTRIALS - Continued

Continuation of Industrials table.

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بازار مالیات

INDUSTRIALS - Continued. Table listing various industrial companies and their stock prices.

LEISURE - Continued. Table listing leisure-related companies and their stock prices.

PROPERTY - Continued. Table listing property-related companies and their stock prices.

INVESTMENT TRUSTS - Cont. Table listing investment trusts and their stock prices.

FINANCE, LAND - Cont. Table listing finance and land-related companies and their stock prices.

MINES - Continued. Table listing mining companies and their stock prices.

MOTORS, AIRCRAFT TRADES. Table listing motor and aircraft trade companies.

NEWSPAPERS, PUBLISHERS. Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING. Table listing paper, printing, and advertising companies.

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INSURANCES. Table listing insurance companies.

LEISURE. Table listing leisure companies.

NOTES. A collection of notes and financial information regarding various companies and markets.

LONDON STOCK EXCHANGE

Gilts and equities close firmly despite early problems with market reporting systems

Account Dealing Dates

Table with columns for First Declared, Last Declared, and Account Dealings for various months from Oct 11 to Nov 27.

Composite insurers continued to trade firmly ahead of the fourth-quarterly season. GRE added 6 at 837p and General Accident put on 7 at 841p. Sun Alliance put on 6 at 720p.

The UK stock markets came through the first day of the Big Bang era satisfactorily, despite problems in the equity sector caused by a temporary breakdown in the Tropic system which carries the price quotations from the Stock Exchange Automated Quotations network (SEAQ) on which the new-style electronic market depends.

The first two hours of equity trading were extremely confused because overloading of Tropic prevented the electronic system from showing up-to-the-minute price quotations. Many of the new market makers in equities took refuge in restricting their price quotes to a mere 1,000 shares in Alpha shares, and only 100 in some gamma issues.

But SEAQ was fully restored at 9.37 am, and traders recovered their confidence as the session progressed. Helped by rumours in gilt-edged equities moved forward in moderate trading.

Mercury up again: Merchant banking conglomerate Mercury International, which had acted as adviser to the consortium...

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The FT-SE 100 index, 14 points up at mid-session, ended 0.1 higher at 1582.2, while the FT Ordinary Index climbed 6.2 to 1257.4.

The problems with SEAQ boosted trading in the first day of trading in Government bonds under the new market system.

Mercury up again: Merchant banking conglomerate Mercury International, which had acted as adviser to the consortium...

FINANCIAL TIMES STOCK INDICES table with columns for Oct 27, Oct 24, Oct 23, Oct 22, Oct 21, year, and Since Completion (High/Low).

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8024

at 200p. Dizzos put on 5 at 340p and Next hardened a penny or so at 250p; the latter's annual results are scheduled for tomorrow.

Hawker, a depressed market last week following the disappointing interim figures, staged a welcome rally and closed 8 better at 418p.

favoured and closed 6 1/2 higher at 734p. Week-end Press mention prompted a rise of five pence to 158p in Britishwear, Carlisle, which made an agreed bid for Jonas Woodhead last week, restricted 30 to 450p.

The Property leaders gave a bright performance and were featured by British Land which, spurred from an opening level of 150p, slipped to close at 200p.

rapid decline in sales in the UK market for automotive components. Pearson, in contrast, featured a fresh gain of 16 at 571p on continuing speculation that Hutchingson Whampoa had increased its stakes in the company, but the lack of any takeover developments prompted a reaction of 10 to 507p in Pilkington.

Television issues gave another bright performance. Central TV were boosted by publicity given to a broker's circular and rose 19 to 389p. Thames TV firm 7 to 299p and LWT moved up 6 to 429p in sympathy.

weekend positions. Profit-taking took its toll of last week's higher field. Reason Consolidated Goldfields, finally 16 lower at 406p.

Tradition Options: First dealings Oct 29 Nov 3 Nov 17. Last dealings Oct 29 Nov 14 Nov 28.

TRADING VOLUME IN MAJOR STOCKS: The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Table showing trading volume for major stocks including ASA-MFI, Astra-Lymon, BAW, BOC, BT, etc.

RISERS AND FALLS YESTERDAY: British Funds, Corporations, Dom. and Foreign Bonds, etc.

NEW HIGHS AND LOWS FOR 1986: NEW HIGHS (23), LOWS (48), etc.

FT-ACTUARIES INDICES

Table of FT-ACTUARIES INDICES for Monday October 27 1986, listing various equity groups and sub-sections with their values and changes.

FIXED INTEREST

Table of FIXED INTEREST rates for various periods including 1 year, 2-5 years, 10 years, and All Stocks.

LONDON TRADED OPTIONS

Table of LONDON TRADED OPTIONS including CALLS and PUTS for various stock options.

Table of LONDON TRADED OPTIONS including CALLS and PUTS for various stock options, continuing from the previous table.

EUROPEAN OPTIONS EXCHANGE

Table of EUROPEAN OPTIONS EXCHANGE listing various international stock options.

BASE LENDING RATES

Table of BASE LENDING RATES for various banks and financial institutions.

\* Flat yield. Highs and lows record, base rates, values and correlation changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Brackley House, Cannon Street, London EC4A 3DF, price 15p, by post 20p.

WORLD STOCK MARKETS

Table of world stock markets including Austria, Germany, Norway, Australia, Japan, Canada, and various indices. Columns include country, date, price, and change.

Table of Canadian stock markets including Toronto and Montreal. Columns include stock name, price, and change.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for various stocks.

Table of stock indices including New York, Singapore, South Africa, and others. Columns include index name, date, and value.

Table titled 'NYSE COMPOSITE CLOSING PRICES' showing closing prices for various NYSE stocks.

Advertisement for 'AMSTERDAM/DELFT/EINDHOVEN' and 'FRANKFURT/HAMBURG/HESSISCHE BERGSTRASSE' with contact information for hand-delivered service.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of stock prices with columns for 12 Month High/Low, Stock Name, Div. Yld., P/E, and various price points.

Kidder, Peabody Securities Limited

Market Makers in Euro-Securities

Kidder, Peabody & Co. Incorporated. Founded 1865. Member SIPC. New York • London • Paris • Geneva • Zurich • Hong Kong • Tokyo

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NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 44' and 'Continued on Page 43'.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Continued from Page 44' and 'Continued on Page 43'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) closing prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections like 'Continued on Page 43' and 'Continued on Page 45'.

Notes and footnotes regarding the data, including information about dividends, splits, and data sources.

